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United Nations Industrial Development Organization

Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 2 November 1992, at 10 a.m.

Acting President: Ms. MACHADO QUINTELLA (Brazil)
President: Mr. BALAZS (Hungary)

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The meeting was called to order at 10.30 a.m.

OPENING OF THE TENTH SESSION - ELECTION OF THE PRESIDENT

1. The ACTING PRESIDENT declared open the tenth session of the Industrial Development Board.

2. She reminded members of the Board that, in accordance with rule 24 of the rules of procedure, the Bureau had designated her to serve as Acting President when Mr. Cserveny (Hungary) had vacated the office of President. She asked the chairman of the group of States from List D to convey to Mr. Cserveny the Board's sincere thanks for his excellent leadership as President at the ninth session and his valuable work in the posts in which he had served the Board earlier. The States in Group D proposed that Mr. Cserveny should be succeeded by Mr. Balázs (Hungary). Unless she heard any objection, she would take it that the Board accepted that proposal.

3. Mr Balázs (Hungary) was elected President by acclamation.

4. The ACTING PRESIDENT, on behalf of the Board, congratulated the new President and wished him success in his work.

5. The President took the Chair.

6. The PRESIDENT thanked the Board for electing him. He also expressed his gratitude to the Acting President for her valuable contribution to the preparations for the present session. He looked forward to the assistance of the other members of the Bureau in taking further steps towards forging an efficient UNIDO which would serve the interests of its Members.

7. At its fourth session the General Conference had directed UNIDO to formulate an adequate response to the rapidly changing circumstances in which it had to operate. The 1990s would one day be seen as a decade in which the old ideologically-divided world had given way to one characterized by the efforts of a number of countries to secure the benefits of a democratic society and a market economy. That process was beset with difficulties. All countries had to make a concerted effort to prevent new economic tensions from widening the gap which already existed between the industrialized and the developing nations. In responding to the recent changes, UNIDO must not only find the best way of promoting the industrialization of the developing countries but also help to solve the difficult problems of transition from a centralized to a market economy.

8. The Board should aim at designing an organization that, by continuing processes begun in 1986, would become a specialized agency in the true sense - a well-organized, efficiently-run body possessing a structure based on a modern planning system which operated in accordance with clear guidance provided by its members. The Board's decisions on the priorities, objectives and role of UNIDO, its new organizational and staff structure and the action to be taken following the Director-General's resignation would have far-reaching effects on the Organization's future. UNIDO had to embark on a new stage of its existence, in which it would have to compete for resources by providing steadily improved services. He was confident that the Board was aware of the great responsibility it bore for the success of that work.

ADOPTION OF THE AGENDA FOR THE TENTH SESSION (IDB.10/1/Rev.1 and Add.1)

9. The PRESIDENT said that the provisional agenda adopted by the Board at its ninth session in decision IDB.9/Dec.19 (IDB.10/1/Rev.1) included a supplementary item proposed by one Member State in accordance with rule 12 of the Board's rules of procedure, "Actions to be taken by the Industrial Development Board following the resignation of the Director-General". Unless he heard any objection, he would take it that the Board approved that addition.

10. It was so agreed.

11. The PRESIDENT said that, in informal consultations, it had been proposed that the wording of item 1 as it appeared in document IDB.10/1/Rev.1 should be revised to reflect the election which had just taken place, and thus to read: "1. Opening of the tenth session - Election of the President". It had further been proposed that the wording of item 4 should be expanded to include, as sub-items (a) to (l), the 12 subjects listed under item 4 in the annotated provisional agenda (IDB.10/1/Rev.1/Add.1) as being of relevance to the work of the Board at its current session. He took it that the Board accepted those changes.

12. It was so agreed.

13. The provisional agenda in document IDB.10/1/Rev.1, as amended, was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

14. Mr. SIAZON (Director-General) welcomed participants to the session and expressed his confidence that it would achieve success under the guidance of the President and the Bureau. He thanked the previous President for his skilful stewardship of the ninth session.

15. The Organization's achievements in the previous 18 months had been marked by notable gains. Technical cooperation delivery, although only $147.5 million in 1991 as compared with $159.6 million in 1990, had been 21 per cent higher for the biennium as a whole than for 1988-1989. The figure forecast for 1992 was between $135 million and $142 million. The lower volumes of delivery for 1991 and 1992 were traceable to factors beyond UNIDO's control: disruption from war and civil strife in many programme countries; a lower rate of project approvals, caused by serious delays in the implementation of the UNDP successor arrangements and the country programming process; a slowdown in UNDP project deliveries; and the late payment of assessed contributions by Member States, which had forced the Organization to maintain a higher vacancy factor than normal in its regular budget. At its recent session the Administrative Committee on Coordination had expressed concern that the decline in the value of UNDP project approvals and the indications of reduced levels of official development assistance would mean an erosion of the capacity of agencies to assist developing countries and to improve the quality of their activities. Prompt measures were needed to remedy that situation.

16. Notwithstanding those unfavourable developments, evaluation findings showed that the overall quality of projects implemented by UNIDO in 1991 had remained high. A cost measurement study on

the UNDP successor arrangements for agency support cost, on which he had reported to the Board in document IDB.10/7, showed UNIDO to be the most cost-effective of the European-based agencies, particularly in the field of procurement.

17. The Organization had achieved an impressive gain in the value of industrial investments which it promoted, from $700 million worth of projects in 1990 to some $890 million in 1991. In the first eight months of 1992 the value of investment projects promoted by UNIDO had risen to some $1 billion, not counting the $292 million worth of projects promoted by the Industrial Cooperation Centre in Moscow between January and September 1992 and the $1.4 billion worth promoted in the highly successful investment and business forum for north-west China co-sponsored by UNIDO in September 1991. An equally successful forum in Warsaw and an investment meeting in Madrid had been held in October 1992 and investment meetings were scheduled for Madagascar, Nepal and the Andean countries in November 1992. Similar meetings were under preparation for Namibia, Cuba, Barbados and Trinidad and Tobago. UNIDO would co-sponsor a major trade and investment conference in Vienna for the countries of the Commonwealth of Independent States, also in November 1992. The European Bank for Reconstruction and Development had concluded its first cooperation agreement with UNIDO, involving a loan to a Polish plant.

18. Investment Promotion Services offices had been set up in Athens and Lisbon, and negotiations were in progress for their establishment in Bahrain, India, Iran, Saudi Arabia, Spain, Turkey and Romania. The Organization recently had concluded a trust-fund agreement with the United Kingdom for the establishment of an office at UNIDO Headquarters designed to promote industrial cooperation between British firms and entrepreneurs in central and eastern Europe.

19. Steps to strengthen the institutional machinery of the Secretariat and reform its management procedures continued apace. As part of the process, organizational changes aimed at reducing duplication of functions and improving internal coordination had been introduced. They established clearer terms of reference for the organizational units concerned, placing particular emphasis on improved programme and project quality, closer teamwork, increased mobilization of financial resources, improved capabilities for technology development and promotion and strengthened staff development and training functions.

20. In order to simplify internal procedures, he had recently issued a bulletin (UNIDO/DG/B.18/Rev.1) which provided a clear and updated framework for the implementation of Articles 16 and 17 of the Constitution in so far as they related to projects financed from trust funds, special-purpose contributions to the Industrial Development Fund or the regular budget. Another bulletin (UNIDO/DG/B.73/Rev.1) laid down administrative instructions for the development, appraisal, approval and implementation of special trust fund projects. Two other bulletins, on the integrated programme approach and revised procedures for UNIDO-administered funds, would be issued shortly. Improved organizational performance and more efficient machinery for delivering high-quality services to Member States were the key to the mobilization of financial resources for the Organization. In that context, he was gratified at the success of the periodical meetings which took place between Industrial Development Fund donors and the Secretariat.

21. Mobilization of resources assumed added importance in the light of the Organization's difficult financial situation. At the end of October 1992 the total cumulative amount of outstanding contributions had been more than $53.7 million, or some 48 per cent of the 1992 assessment, with 115 Member States having yet to pay their contributions in full. At present 40 Member States, two of which were members of the Board, had lost the right to vote. In the operational budget the slowdown in technical cooperation delivery had been compounded by the serious delay in the implementation of the UNDP successor arrangements and the decline in the value of the dollar in relation to the Austrian schilling. As a result, the gap between support cost income and expenditures was expected to reach $5.9 million by the end of 1992, and the operational budget reserves might be fully utilized before the end of 1993, although the situation could change for the better as progress was made in negotiations on environmental programmes and projects with the Global Environment Facility and the Interim Multilateral Fund for the Implementation of the Montreal Protocol, and on procurement services with the World Bank. The circumstances described had compelled the Secretariat to restrict recruitment and hold back approved appropriations. By the end of October 1992 the vacancy factor for the Professional category had risen to 14.8 per cent in posts financed from the regular budget and 24.7 in posts financed from the operational budget. While offering temporary relief, the measures taken to cope with the financial crisis had eroded the capacity of the Organization to carry out its approved programme of work for the biennium. The only way out of its present financial predicament was for Member States to pay their assessed contributions promptly and in full. For its part the Secretariat must continue to take the measures necessary to keep expenditure in line with expected income.

22. One vital programme that was in financial difficulty was the UNIDO Country Director programme. As indicated in the report on the subject (IDB.10/34), UNDP had allocated the programme an indicative funding level of about $19 million for the period 1992-1996, an amount insufficient to maintain the current level of posts financed by UNDP throughout the next programming cycle. If no additional financial resources were found for the programme, UNIDO would be forced to reduce the current number of 26 UNIDO Country Director offices funded by UNDP by almost half. That stood in marked contrast to conclusion 92/13 adopted by the Programme and Budget Committee (IDB.10/14, para. 30) and the recommendation therein reaffirming the target of 50 UCD posts (paragraph (b)(iii). In compliance with Board decision IDB.8/Dec.14 UNIDO had entered into consultations with UNDP, in the course of which it had become clear that the Industrial Development Board should invite the Governing Council of UNDP to consider approving an increase in the annual allocation for the UNIDO Country Director programme so as to permit the maximum number of Country Director posts to be maintained. Pending such a decision, the Board should invite the Governing Council to consider authorizing the Administrator of UNDP, as an interim measure, to adjust the yearly allocation

within the total resources approved for sectoral support so as to allow UNIDO to maintain the current number of posts for the years 1992 and 1993.

23. On the key issue of UNIDO's organizational and staff structure, Member States had repeatedly stated the need for UNIDO to reform if it was to remain competitive in a rapidly changing world. They had yet, however, to translate those declarations into concrete decisions. The Organization could not be expected to continue functioning effectively in a prolonged period of uncertainty, and in his view, the present session of the Board provided the last opportunity to take the necessary decisions. Furthermore, once the choice of the new Director-General was known, it would be extremely difficult to reach consensus on the distribution of senior posts in the Secretariat and on its restructuring. In document IDB.10/24, he had therefore recommended that the Board revoke decision IDB.1/Dec.11, in order to give the incoming Director-General a free hand in organizing the Secretariat within a three-department structure. The aim of his proposal was to establish a framework within which more detailed restructuring could be carried out by the next Director-General, while giving Member States the opportunity to consider the long-term reform of the organizational and staff structure of UNIDO in the context of system-wide reforms. He had noted the views of Member States and taken account of the need for continued consultations on the optimum distribution and terms of reference of organizational units within the three-department structure. While he continued to consider one deputy director-general sufficient for UNIDO's needs, his proposal would meet the desire of many Member States for equitable geographical representation at the higher levels of management.

24. Reminding the Board of his decision to resign as Director-General as of 28 February 1993, he said it was essential for the Board to take a clear decision concerning the selection of his successor. Whether it chose to appoint an Acting Director-General or hold early elections, it ought to make its will known. Since he was leaving early in response to an urgent request to return to his country's service, he felt particularly obliged to use the rest of his term to secure the future of the Organization and stabilize its finances through reform of the organizational and staff structure, coupled with measures to improve the quality of its programmes and projects and strengthen the management of its resources. If UNIDO was to move ahead, not only the Secretariat must continually strive to improve its efficiency, but Member States would also have to provide policy guidance, take clear decisions and set firm priorities. He therefore welcomed the latest efforts by Member States to give guidance on the fundamental objectives and programme priorities of the Organization under the guidance of the Chairman of the Programme and Budget Committee.

25. Referring to doubts about the future of the Organization, he pointed out that UNIDO's problems were no worse than those of other agencies in the United Nations system. It was in fact better placed than many organizations that had had to resort to borrowing in order to pay staff salaries. He had never, in his seven years as Director-General, wavered in his belief that UNIDO would survive and flourish. Indeed, with the goodwill of Member States and the dedication of its staff, it could only look to the future with confidence.

ORGANIZATION OF WORK

26. The PRESIDENT said that, on the basis of the discussions that had taken place at the meeting of heads of delegations prior to the current meeting, it was suggested that informal consultations should be held under his chairmanship with the aim of reaching a consensus on agenda item 16 ("Actions to be taken by the Industrial Development Board following the resignation of the Director-General").

27. It was so agreed.

28. The PRESIDENT suggested that, to achieve economies and ensure the effective utilization of conference-servicing resources, the Board might wish to suspend the quorum requirement laid down in rule 32 of the rules of procedure, as it had done at previous sessions. Under rule 80 of the rules of procedure, that decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If he heard no objection, he would take it that the Board wished to suspend, for its tenth session only, and with immediate effect, rule 32 of the rules of procedure on the understanding that the measure would apply only to meetings at which no substantive decision was to be taken.

29. It was so decided.

30. The PRESIDENT reminded the Board of the recommendations for the conduct of business and rationalization of proceedings made by the Board at its fifth session in decision IDB.5/Dec.46.

ACTIONS TO BE TAKEN BY THE INDUSTRIAL DEVELOPMENT BOARD FOLLOWING THE RESIGNATION OF THE DIRECTOR-GENERAL

31. The PRESIDENT invited the representative of Denmark to introduce the item, which had been proposed by his Government, on the understanding that the discussion of that item would then be suspended in the Board to allow time for the informal consultations.

32. Mr. LØNSMANN POULSEN (Observer for Denmark) said that, in view of the Director-General's letter of resignation, UNIDO obviously needed clarification on how to deal with the succession. The formulation of the agenda item did not prejudge the ultimate decision. The Board might opt to appoint an Acting Director-General, or it might wish to have a new Director-General in place as soon as possible, which would entail deciding on dates for the submission of nominations and the calling of special sessions of the Board and the General Conference. Either way, a decision had to be taken at the current session.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.10/14)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991 (IDB.9/10 and Corr.1 and 2; IDB.10/3, 4, 11 and Add.1, IDB.10/25);

(b) USE OF UNUTILIZED BALANCES OF APPROPRIATIONS;

(c) IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989 (IDB.10/6/Rev.1, IDB.10/26);

(d) FINANCIAL SITUATION OF UNIDO (IDB.10/9, 27);

(e) APPLICATION OF THE SPLIT-CURRENCY SYSTEM OF ASSESSMENT (PBC.8/11);

(f) OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES (IDB.10/7, 8);

(g) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET (IDB.10/10);

(h) MEDIUM-TERM PLAN, 1994-1999 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1994-1995) (IDB.10/5 and Add.1, IDB.10/29);

(i) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (IDB.9/10, chap. VIII, paras. 14-20 and appendix G; IDB.10/2);

(j) ELECTRONIC DATA-PROCESSING PROGRAMME (IDB.10/30);

(k) FINANCIAL REGULATION 4.1, PARAGRAPHS (d) and (e);

(l) UNIDO COUNTRY DIRECTOR PROGRAMME (IDB.10/34);

33. The PRESIDENT reminded the Board that the debate was expected to cover all of sub-items (a) to (l).

34. Mr. WARNER (Deputy Director-General, Department of Administration) said the documentation on agenda item 4 fell into two separate parts. The first consisted of document IDB.10/14, which contained the report of the Programme and Budget Committee on its eighth session including the Committee's conclusions.

35. The second part concerned items discussed by the Programme and Budget Committee which required follow-up by the Secretariat. Documents IDB.10/25 and IDB.10/26 related to the implementation of the External Auditor's recommendations for 1988-1989 and 1990-1991. The former contained a report by the Director-General on steps taken by the Secretariat to implement those recommendations and included the proposal to redirect the emphasis of budgetary control by policy-making organs from major objects of expenditure to major programmes. If accepted, the proposal would move UNIDO closer to the programme approach for budgetary implementation envisaged in the new-format programme and budgets introduced for the 1992-1993 biennium. Regarding the other issues outlined in the report, it would be noted that there was a positive response to the valuable recommendations by the External Auditor. Document IDB.10/26 reported on the review of the staff rules dealing with official travel.

36. The financial situation of UNIDO was reported on in document IDB.10/27, which contained status reports on assessed contributions, cash-flow analysis, regular budget performance reports and the operational budget status report. The financial situation of the Organization remained critical, despite an improved collection rate in recent years and a partial replenishment of the Working Capital Fund. Although UNIDO expected to have sufficient funds in the regular budget to cover expenditures for the remainder of 1992, it continued to operate on a hand-to-mouth basis. The continuing delay and non-payment by some Member States of assessed contributions in 1992 had delayed implementation of approved regular budget activities. Furthermore, the Organization had been obliged to hold back current appropriations and maintain a vacancy factor for Professional posts far in excess of budgeted levels. The regular budget financial outlook for 1993 was still uncertain, and unless more States paid their assessed contributions, a financial default in the latter part of 1993 could not be ruled out.

37. The operational budget remained in crisis largely owing to UNDP's delay in implementing the successor arrangements. The Secretariat's efforts to reduce expenditure in order to offset falling income would continue in 1993 until the Organization achieved a stabilized operational budget. Despite measurable progress, even more stringent steps now had to be taken. The Secretariat was entering on the most difficult part of the stabilization process, in which it was guided by PBC conclusion 92/5.

38. UNIDO's ability to achieve stabilization in the operational budget depended to some extent on exchange rates and levels of technical assistance delivery. It was making every effort to develop new business in order to offset its diminishing activities for UNDP. Decisions on the utilization of resources took account of the need to maintain sufficient capacity to deliver programmes, while paying due regard to growing financial limitations.

39. With regard to the electronic data-processing programme, document IDB.10/30 provided financial and programme information on the implementation of the recommendations of the consultants and external auditors. Regular briefings had been held for Member States throughout 1992 and would continue.

40. In PBC conclusion 92/13, paragraph (b)(vi), the Director-General had been requested to submit a comprehensive financial report at the eleventh session of the Board on the UNIDO Country Director (UCD) programme. However, following his consultations with UNDP on the critical situation of the funding for UCD offices in 1992 and 1993, the Director-General had recognized the immediate need to submit an interim report for consideration at the present session. That report (IDB.10/34) outlined the present financial situation of the UCD programme with particular reference to the UCDs financed from the sectoral support funds of UNDP. As it stated, the Organization was faced with an immediate reduction in the number of UCD offices, with consequent non-extension of contracts.

41. The report of the Director-General to the Board at its eleventh session would include information on UNIDO's future field representation in the light of the results of the review on sectoral support undertaken by UNDP in 1993. That review would also consider the plans of the Secretary-General and the discussion initiated in the Economic and Social Council in June 1992 on the establishment of a unified system of field representation. Document IDB.10/34 called for a decision by the Board for communication to the UNDP Governing Council at its February 1993

meeting. Whatever decisions the Board took at the present session were likely to have far-reaching effects on the future of the UNIDO Country Director programme.

42. Mr. CLARK (United Kingdom), speaking as Chairman of the Programme and Budget Committee, introduced his report (IDB.10/29), on the informal consultations he had conducted, in compliance with PBC conclusion 92/10, to study the relative priorities within the medium-term plan activities. A number of significant changes had taken place in the world since the initial adoption of the plan. Matters had evolved further since the Committee's meeting in early July, with the announcement by the Director-General that he would be resigning in March 1993 and the continuing deterioration in the Organization's financial prospects. The Director-General's proposals for the restructuring of the Organization were intended, in part, to take account of the financial situation. In the consultations, it had been agreed that the Organization should consider its priorities ab initio, and he had presented a short paper setting out its objectives as he saw them. Chapter I of document IDB.10/29 summarized the discussion in the Committee. Chapter II contained his discussion paper, as revised following the informal consultations. Document IDB.10/29 also contained, as an annex, a statement by Mr. Adekanye (Nigeria), Chairman of the Group of 77.

43. Mr. GUTIERREZ (Chile) reminded the Board that some two-and-a-half years previously, his delegation had expressed its doubts about the manner in which UNIDO was being administered. The criticisms voiced at that time, which were wholly impartial, were now being echoed by many others. The Latin American and Caribbean Group was still committed to strengthening UNIDO and was unstinting in its efforts to that end, although the assistance its region received from the Organization was derisory in comparison with that received by other regions.

44. The crisis in UNIDO was a structural phenomenon, not a temporary difficulty. The root causes of the crisis must now be faced, and the lessons of the past must be drawn. UNIDO was now bearing the accumulated burden of its own lack of credibility, and had moreover to cope with a change of Director-General. His delegation endorsed the recommendations in the report of the Programme and Budget Committee (IDB.10/14) especially those contained in the report of the External Auditors. For some time, his delegation had been anxious for an overhaul of the tendering system in force in the Organization. It was no surprise that the External Auditor had noted irregularities, since the system was so deficient as to permit conduct which would be considered criminal in most Member States. The system must be reviewed in depth in the near future, with a view to introducing new financial rules and adapting existing ones. He regretted the delay in completing and submitting to the Board the manual of administrative policies and procedures of the Organization; UNIDO's operations would be improved if it had an effective internal audit system. He hoped it would be possible to achieve significant savings on official travel, in the light of the Organization's present critical financial situation. Of crucial importance was the prioritization of themes within the medium-term plan, and he was grateful for the work done on those lines by the Chairman of the Programme and Budget Committee. However, he did not endorse the Secretariat's proposal for changes to be made to the budget, so as to give policy-making organs tighter control on the basis of programme component rather than major objects of expenditure. The proposed changes appeared to be merely a matter of wording: the same budget presentation would be preserved, but the departments and divisions of UNIDO would be called programmes. What the External Auditor had recommended was an actual budget presentation based on substantive programmes.

45. Mr. CLARK (United Kingdom), speaking on behalf of the European Community and its member States, said that the Director-General's report on the financial situation of UNIDO (IDB.10/27) dramatically illustrated the crisis faced by the Organization. The non-payment of assessed contributions by Member States and the shortfall in the predicted income from the UNDP support costs arrangements, together with unfavourable exchange-rate fluctuations, had brought both the regular and the operational budgets to a critical state. The Director-General had already had to make some difficult choices in deciding how to curtail spending, and Member States, especially those which were members of the policy-making organs, had a duty to guide him in his task.

46. He noted the alarmingly high vacancy rate in the Organization, pointing out that further emergency remedial measures would probably be required in order to balance the operational budget by the end of 1993. Referring to the report by the Director-General (IDB.10/27) he asked for further information on certain points: first, a breakdown by department of vacant posts, against the forecast used as the basis for the 1992-1993 programme and budget; second, any redeployment which had taken place to fill higher priority posts; third, the policy of the Director-General for reducing staff by natural attrition or staff separation; and finally, details of any additional measures so far taken to balance the operational budget in line with PBC conclusion 92/5, and the future "judicious" expenditure reductions contemplated by the Director-General in his report.

47. With regard to the regular budget, he would have welcomed an indication, in annex IV to document IDB.10/27, of the departments most affected by the vacancy rate. Noting that the United States had made a sizeable contribution to UNIDO in recent weeks, he asked what the Director-General's priorities were for using that money. He appealed to Member States in arrears to pay their debts at once and in full. Noting that programme allotments had been restricted to 88 per cent of approved budgetary estimates, he wondered how that limit squared with the statutory reserve of 15 per cent.

48. As for the operational budget, he regretted the high vacancy rate among Professional posts, due chiefly to the serious delay in the introduction of the new UNDP successor costs regime in New York. European Community missions in Vienna had recently drawn the attention of their Governments to the serious budgetary implications for UNIDO of the delay, suggesting that the matter be taken up in New York. They were also concerned at the Director-General's estimate of a $6 million deficit in the balance of reserves for operational activities. The actual

total deficit in the operational budget for 1992 was likely to be higher. Member States had recently learned from the Secretariat that the support costs system would not be operational until 1993; hence the Secretariat would have no proper basis on which to make provisional estimates for operational activities in 1993, or for the 1994-1995 draft biennium programme and budget exercise.

49. As the "Four Experts" had pointed out over three years before, there was a mismatch in UNIDO between programme ambitions and actual resources. To avoid spreading the Organization's resources too thinly, and to ensure that its activities had a lasting impact in its recipient Member States, it was necessary to ensure that the resources required for each programme and subprogramme produce genuine results, not merely symbolic gestures. The Secretariat should also state which of the problems in the industrial development process it thought UNIDO ought to tackle first when resources were scarce. The policy-making organs might then be able to decide on the Organization's future role.

50. With reference to agenda item 4 (a), he voiced support for the recommendation to amend the financial regulations of the Organization as proposed in paragraphs 10 and 11 of document IDB.10/25, subject to receiving the External Auditor's comments on the proposed amendments before a final decision was taken by the General Conference.

51. Regarding item 4 (c), he welcomed the Director-General's assurance that efforts were being made to maximize economies and noted that the question of travel standards within the United Nations common system was soon to be discussed by CCAQ and the General Assembly.

52. Concerning agenda item 4 (j), he thanked the Secretariat for its briefing to Member States 10 days previously. With reference to document IDB.10/30, he enquired whether the provision of PCs to staff throughout the Organization would result in savings through reductions in General Service staff support costs, especially as the General Service staff vacancy rate of 6.6 per cent in the operational budget was out of proportion to the number of Professional vacancies.

53. Finally, with reference to agenda item 4 (l), he hoped that the UNDP Governing Council would reconsider the allocation for UCDs in the UNDP fifth programming cycle, taking into account the importance of the programme and the fact that the integration of the UCDs in the offices of the UNDP Resident Representatives was a model for cooperation and coordination within the United Nations system.

54. Mr. CHEN Shiqiu (China) welcomed the work done by the Chairman of the Programme and Budget Committee to prioritize certain areas of the Organization's activities under the medium-term plan. The three informal consultations held had proved most useful. UNIDO continued to play a very important role in assisting developing countries to develop their industrial technologies and their human resources. However, in the present situation of reduced resources and falling income from UNDP, the Organization must focus on those areas in which it had most expertise and experience. It was the duty of Member States to help the Secretariat select priority areas, and the consultations conducted by the Chairman of the Programme and Budget Committee would help to achieve a common understanding. His delegation agreed with the five priorities identified in the Chairman's report (IDB.10/29). It attached special importance to industrial investment promotion, in which UNIDO had considerable experience, and which played a key role in introducing capital into developing countries. UNIDO had participated in the recent "investment for business" forum held in China, and he welcomed the effective contribution of its Investment Promotion Division. He hoped UNIDO would continue its endeavours in that field.

The meeting rose at noon.

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United Nations Industrial Development Organization

Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 2 November 1992, at 3 p.m.

President: Mr. BALAZS (Hungary)
later: Mr. EL-HUSSEIN (Sudan)

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The meeting was called to order at 3.25 p.m.

ORGANIZATION OF WORK

1. The PRESIDENT informed the Board that the Bureau, at its first meeting, had discussed how best to organize the informal in-session consultations which the Board had decided to set

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up under his own chairmanship with the aim of reaching a consensus on agenda item 16. The Bureau recommended that a round of informal consultations with open-ended participation should take place immediately, in principle from 3.30 to 5 p.m. After that, he would decide on an appropriate follow-up which he suggested, with the Bureau's support, might take the form of a series of consultations or contacts with individual groups, to be held on Tuesday without the participation of the Secretariat, each group being on an equal footing. He would see whether that suggestion met with general approval during the first round of consultations. Upon completion of the consultations, he would review the results with the members of the Bureau at a meeting to be held at 6 p.m. on Tuesday. In that connection, he informed the Board that since the procedure had not been foreseen, no interpretation could be provided. On Wednesday, as decided by the Board, he would report to the plenary on the progress achieved.

2. Mr. TALIANI (Italy) pointed out that, while he agreed in principle with the approach outlined by the President, he did not consider that the Bureau was empowered to take any decision on the matter. The President himself should report to the Board on the results of the consultations.

3. Mr. TREMEAU (France) expressed some surprise at the procedure outlined by the President. While it was perfectly normal to conduct informal open-ended consultations among all Member States, the holding of separate talks with the regional groups represented an innovation which gave him some cause for concern, since it might lead to clashes between groups. While he would not oppose the proposed procedure if it met with general approval, he had doubts about its advisability, particularly as it would be conducted in a single language.

4. Mr. ARIAS-SALGADO (Spain), associating himself with the previous speaker, said he failed to see the advantage, after holding open-ended consultations, of proceeding to conduct separate regional consultations, which appeared to be superfluous in the circumstances.

5. Viscount VILAIN (Belgium) supported the immediate holding of informal open-ended consultations. With regard to the proposed second stage, however, he shared the concern expressed by previous speakers, since he too failed to see what advantage would be gained. On the contrary, there was a danger that rigid regional positions might crystallize, giving rise to unnecessary difficulties. Furthermore, the matter was not one which should be dealt with by the Bureau; it was for the Member States themselves to come to a decision. He therefore suggested that the President should proceed to hold consultations and report back to the Board on Wednesday.

6. Mr. LONSMANN-POULSEN (Observer for Denmark) agreed that informal open-ended consultations should begin at once. He understood that the President would reserve his position on the follow-up until he knew the results of those consultations, which seemed a reasonable basis to start on.

7. Mr. MAAJI (Nigeria) endorsed the President's approach which consisted in holding informal open-ended consultations immediately and then proceeding to group consultations.

8. Mr. QUIJANO (Observer for Colombia) said he wished to comment on the proposed procedure since his country at present held the chairmanship of the Latin American and Caribbean group. In that connection, he was concerned by the statement that the Secretariat did not intend to provide interpretation: in his view, considering both present and future circumstances, interpretation was necessary. He agreed that informal open-ended consultations should begin at once and that the next stage in the procedure should be determined in the light of the results.

9. The PRESIDENT said that the sole purpose of the first round of consultations was to identify the positions of the different Member States and to take soundings as to which of the solutions put forward enjoyed the widest support. The follow-up he had suggested was, perhaps, new and surprising, but the Board was faced with unusual circumstances. He had suggested that approach because it seemed to him that the positions of the various groups were of importance in a situation in which divergencies were already discernible. However, he would take no initiative unless it enjoyed general support. He understood that the Board was ready to agree by consensus to begin informal open-ended consultations immediately.

10. It was so decided.

11. Mr. EL-HUSSEIN (Sudan) took the Chair.

12. The PRESIDENT recalled that the Bureau had also discussed the question of how to deal with the draft decisions and had recommended that, as at previous sessions, the Board should hold informal in-session consultations with a view to reaching consensus on draft decisions before they were submitted to the plenary. For that purpose all members of the Board were urged to participate in the consultations, which would cover items 3 to 10 and 12 to 14, while draft decisions on items 11, 15 and 16 would be considered by the plenary upon recommendation of the Bureau. The Bureau had recommended that Ambassador Machado Quintella (Brazil), in her capacity as Vice-President, should be entrusted with the task of chairing the consultation meetings, which would not take up any draft decision until the debate on the subject had been concluded in plenary. It was suggested that the consultations should start on Wednesday morning and be completed by Thursday evening. Texts of draft decisions should be submitted to the President no later than Thursday, 5 November, at 6 p.m. He took it that the Board wished to adopt that procedure.

13. It was so decided.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (continued) (IDB.10/14):

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991 (continued) (IDB.9/10 and Corr.1 and 2; IDB.10/3, 4, 11 and Add.1, IDB.10/25)

(b) USE OF UNUTILIZED BALANCES OF APPROPRIATIONS (continued)

(c) IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989 (continued) (IDB.10/6/Rev.1, IDB.10/26)

(d) FINANCIAL SITUATION OF UNIDO (continued) (IDB.10/9, 27)

(e) APPLICATION OF THE SPLIT-CURRENCY SYSTEM OF ASSESSMENT (continued) (PBC.8/11)

(f) OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES (continued) (IDB.10/7, 8)

(g) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET (continued) (IDB.10/10)

(h) MEDIUM-TERM PLAN, 1994-1999 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1994-1995) (continued) (IDB.10/5 and Add.1, IDB.10/29)

(i) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (continued) (IDB.9/10, chap. VIII, paras. 14-20 and appendix G; IDB.10/2)

(j) ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.10/30)

(k) FINANCIAL REGULATION 4.1, PARAGRAPHS (d) AND (e) (continued)

(l) UNIDO COUNTRY DIRECTOR PROGRAMME (continued) (IDB.10/34)

14. Mr. HELLER (Mexico) noted with concern the continuing deterioration of UNIDO's financial situation, which was due not only to the late payment of assessments, the impact of the new arrangements for technical cooperation costs and the fall in the value of the dollar, but also to the increased costs associated with the acquisition of an electronic data-processing system, mistakes in the estimation of income and poor management of resources. The result was a crisis unparalleled in the United Nations system, with adverse effects on both the regular and the operational budgets.

15. With regard to the regular budget, the high level of arrears boded ill for the future of UNIDO: they amounted to $79 million, or 70 per cent of the 1992 assessment. The cash-flow analysis indicated that by the end of the year unliquidated obligations would reach $9 million and the deficit $13.5 million, which would either have to be financed by a supplementary budget or carried over to the following biennium.

16. With regard to the operational budget, the picture was even more critical as a result of the new UNDP programming cycle and the impact of the new system for the reimbursement of technical cooperation costs. The deficit in the operational budget would reach $5.9 million by the end of the year, which would have to be covered by non-distributed and statutory reserves. Since those reserves had amounted to $9.7 million at the beginning of the year, 60 per cent of them would have been used up by the end of 1992, leaving only some $3.7 million for 1993. If current trends continued, that meant that by the second half of next year the operational budget would not have sufficient resources to meet the Organization's financial obligations.

17. At its eighth session, the Programme and Budget Committee had adopted conclusion 92/5 (IDB.10/14, para. 16), calling upon the Director-General to balance the budget by the end of 1993 at the latest. That was a step in the right direction, but it should be backed up by a decision to reallocate resources from the departments providing administrative services and support to those that carried out substantive activities, such as technical cooperation and industrial promotion.

18. The Director-General should continue to take additional contingency measures to cope with the Organization's financial crisis. However, in the view of the Mexican delegation, a lasting solution could only be found through political will on the part of Member States and cooperation by the staff. It was no longer possible to argue that UNIDO was failing to obtain sufficient funding because of its poor management of the limited resources at its disposal: that could only lead to a final collapse. The forthcoming change in the leadership of the Organization, in accordance with procedures to be adopted by the Board, offered an opportunity for a new injection of resources and for the establishment of transparent management methods, essential to the restoration of UNIDO's credibility.

19. Mrs. OK (Turkey) said that it emerged clearly from the reports submitted under agenda item 4 that UNIDO faced a serious financial shortfall caused, inter alia, by the failure of Member States to honour their financial commitments. Despite the total appropriations approved by the General Conference for activities to be financed from the regular budget, in 1991 UNIDO had continued to suffer cash-flow problems. Moreover, the decreasing operational budget could no longer be relied upon to cover any shortfall in the regular budget on account of the loss of income following the introduction of tripartite cooperation and successor arrangements by UNDP.

20. It was the responsibility of Member States, together with the Secretariat, to work out a viable system of funding for the Organization's current and future activities. First of all, however, the Secretariat would need to provide accurate figures and make realistic projections for operational budget income between 1992 and 1995. Given the progress already made in the projections for the 1994-1995 programme and budget, she hoped that such information might be made available at the current session.

21. In conclusion, she expressed her appreciation of the report prepared by the Secretariat on the UNIDO Country Director (UCD) programme. She also requested the Director-General to continue consultations with UNDP in order to ensure that as many UNDP-funded posts as possible would be maintained in the fifth programming cycle.

22. Mr. BALAZS (Hungary) said that despite the numerous problems facing countries in his region as a result of the political changes of recent years, his Government maintained its commitment to UNIDO, as borne out by its increased pledge to the Industrial Development Fund. In his view, there were four main reasons for the Organization's current financial problems, namely: the decrease in the UNDP operating fund; the failure of Member States to honour their financial commitments; the top-heavy structure of the Organization; the ill-advised design and purchase of the electronic data-processing systems. In order to resolve such problems, greater attention should be paid to

strategies and priorities in relation to the Organization's structure and budget respectively.

23. While appreciating the report contained in document IDB.10/29, he considered that UNIDO's contribution should focus on the promotion of industrial development, including the formulation of regional and national industrial policies and the implementation of energy-saving and environment-friendly technologies. In that connection, he suggested that the following six priorities should be taken into account: technical assistance and cooperation; better use of existing industrial capacities; action-oriented feasibility studies as well as statistical and market- or product-oriented studies; helping and accelerating the transition of the industries of the centrally planned economies to market-oriented economic systems; human resource development through training; industrial investment promotion. He did not consider the fifth priority activity proposed in paragraph 9 of document IDB.10/29 to be appropriate, since "information and coordination" were methods rather than objectives.

24. In conclusion, he said that the revised draft medium-term plan for 1994-1999 (IDB.10/5) was rather too ambitious and should be revised to take account of real budgetary possibilities.

25. Mr. TRAXL (Austria) said that the report of the Programme and Budget Committee addressed a number of issues which were closely related to his country's main concern, which was that UNIDO should be steered through its current difficulties and adapted to the new challenges faced so that it could successfully play its role in a changed environment.

26. Referring to the financial situation of UNIDO, he drew attention to the arrears amounting to 70 per cent of the assessment for 1992. He reiterated his country's earnest commitment to honour its financial obligations. The attitude of some member countries was exasperating to those countries that lived up to their obligations. As a means of enhancing discipline in that area, he suggested that concrete incentives and penalties be established, particularly since the current system seemed to favour those who did not respect deadlines for contributions. An efficient organization required efficiency on the part of its Members. The problem of unpaid or delayed contributions and its consequences for the day-to-day running of UNIDO had distracted attention from the establishment of strategies for the Organization.

27. Another matter of major concern was the sharp shortfall in income in the operational budget due to a radical decline in support reimbursements earned from UNDP in the transition to the new successor arrangements. It was to be hoped that the situation would improve as the parties concerned became familiar with the new methods. However, the successor arrangements were designed to relate more directly to the type of services actually provided in implementing a project, and that pattern would also change. UNIDO would therefore have to make the necessary adjustments in its structure and operations in order to adapt to the new situation.

28. In the circumstances, it was essential to support all measures which would alleviate the burden of the financial situation in order to prevent the activities of the Organization grinding to a halt. In that regard, he endorsed the suggestions of the External Auditor for the use of unutilized balances of appropriations in the Working Capital Fund. He also endorsed the suggestions for amendments to the financial regulations made by the Director-General (see document IDB.10/25).

29. In general, he stressed the need for a clear distinction between emergency measures and longer-term strategies. For instance, it was important to distinguish between staff reductions which would enhance the overall efficiency of the Organization and temporary measures to alleviate current financial difficulties. Owing to staff shortages the Organization was sometimes unable to comply with the requests of Member States for technical assistance. Restructuring of the Organization should be based on the definition of priorities.

30. Zero real growth, although it was currently a necessity, should not be established as a principle per se. The tasks UNIDO was called upon to fulfil were no fewer than before, although global changes might require their revision and redefinition.

31. Questions regarding prioritization and specialization, which might have long-term implications for UNIDO, should not be decided on the basis of a financial crisis. During the informal debates held on the subject since the last session of the Programme and Budget Committee, wide-ranging and sometimes diverging views had been expressed. Although progress in the area was slow for the time being, the discussion must be continued. A specialization which reflected UNIDO's particular advantages and catered for the new requirements of developing countries would be very important for the future success of the Organization.

32. The main challenge was to identify the external and internal conditions within which UNIDO should function and to provide it with a set of clear and well-defined policy guidelines which would be easy to implement. The concrete measures taken to implement those policies and their subsequent translation into administrative decisions should be largely the responsibility of competent management, invested with sufficient powers. Inspiration might be drawn from the relationship between shareholders and management in private enterprise. The demand that would be made on the quality of such a management was considerable; although that issue would come up under another agenda item, he wished to mention that the choice to be made would have a profound impact on the Organization's success and that personal qualifications must be the paramount criteria.

33. Mr. TANAKA (Japan), commenting on the financial situation of UNIDO (sub-item (d)), said that he was pleased to note that the cash-flow position regarding assessed contributions to the regular budget was satisfactory for the coming months; however, he was concerned at the present status and future prospects of operational budget income. The Board was faced with the dilemma of having to preserve the Organization's capacity for technical cooperation delivery while increasing its vacancy factor, as indicated in document IDB.10/27. In view of the critical situation, his delegation supported the

Organization's efforts to negotiate an earlier implementation of the successor arrangements with UNDP. Furthermore, he stressed that any staff cuts required should be made at all levels.

34. With regard to the medium-term plan (sub-item (h)), he said his delegation welcomed the consultations held under the leadership of the Chairman of the Programme and Budget Committee and shared the view that the central task for UNIDO was to provide assistance for small- and medium-scale industries in developing countries. The prioritization of UNIDO's activities was a difficult exercise, which explained why the Board had not succeeded in providing explicit guidance to the Secretariat on the issue. If the Organization wished to remain a useful agency in the field of industrial development, it had to decide, without further delay, on the central area for UNIDO activities, taking due account of changes taking place in the United Nations development system.

35. Lastly, referring to sub-item (i), he said that, as a major contributor to the Industrial Development Fund (IDF), his country was pleased to note the increasing effort being made in the Organization to pay greater attention to the relevance, cost-effectiveness and sustainability of the activities financed by that Fund. He welcomed the new methods introduced in the programming, appraisal, implementation, monitoring and evaluation stages relating to IDF programmes and projects. The Organization could not afford to finance projects which were uncoordinated, sporadically implemented or isolated from other projects, thus having little impact on the development of a country or region.

36. In conclusion, he said that much remained to be done, but that UNIDO should be given every encouragement in its efforts to improve the quality of its activities.

37. Mrs. ARCILLA (Observer for the Philippines), speaking on behalf of the Asian Group, said that, taking all factors into consideration, it would be in the best interests of the Organization for the Board to endorse the conclusions contained in document IDB.10/14, particularly conclusion 92/5. While the Asian Group was confident that the current situation was temporary, it also considered that flexibility balanced by economies was of paramount importance in order for the Organization to fulfil its ever-expanding mandates.

38. The prioritization of UNIDO's activities was very timely. Although no final decision had been reached during the inter-sessional consultations, they had provided a clear understanding of what needed to be done and thrown light on the areas of agreement and disagreement among Member States. UNIDO should respond to the new requirements dictated by the transformation in the world economy while maintaining its role as a technical cooperation agency for developing countries. In that connection, she considered that the guidelines and priorities set forth in the report of the Chairman of the Programme and Budget Committee (IDB.10/29) might serve as a basis for future negotiations.

39. As to the question of privatization, the Asian Group was ready to participate in efforts to reach a final agreement. None the less, it considered that the Organization should continue to focus on the five problem areas of the medium-term plan and its common elements, on the understanding that any decision on relative priorities would be provisional in nature. Regarding the relaxation of financial regulations 4.3 (a), (b) and (c) as proposed in document IDB.10/25, the Asian Group endorsed the recommendation of the Committee contained in conclusion 92/2 (IDB.10/14, para. 12). The shift in control by the policy-making organs from "subprogramme" to "programme" level was a step in the right direction. Referring to document IDB.10/26, she said that the Asian Group appreciated the efforts being taken by the Secretariat to economize on travel expenses and urged it to look into ways of making further savings. In conclusion, she endorsed the appeals of previous speakers for Member States to honour their financial commitments to the Organization.

40. Mr. BALAKRISHNAN (India), referring to the financial situation, stressed the responsibility of Board members to assist the Director-General in his efforts to cope with the crisis.

41. With regard to the External Auditor's report and the recommendations of the Programme and Budget Committee, he welcomed the proposed changes to financial regulations 4.3 and 3.4. He also endorsed the comments and recommendations made by the External Auditor on budgetary accounting and financial reporting procedures. He noted that steps had been taken towards the implementation of those recommendations and hoped that they would result in improving the overall efficiency of the Organization.

42. Regarding item 4 (c), he agreed on the need to take all possible measures to economize on travel costs; since action within the United Nations system would undoubtedly not be immediate, he welcomed UNIDO's efforts to apply existing regulations as economically as possible. As for item 4 (d), his delegation fully shared the concerns expressed regarding the payment of assessed contributions to the regular budget and would support additional measures to improve the collection of contributions from 1993 onwards. The operational budget also remained a cause of grave concern and all efforts should be made to finalize UNDP successor arrangements for agency support costs so that the operational budget could be stabilized at a reasonable level.

43. Under item 4 (e), his delegation had taken note of the various alternatives to the current split-currency system, but considered that an alternatives system based on constant dollars might not necessarily prove better. The experience of the Geneva-based organizations in particular had shown that a budget based solely on dollars could prove extremely vulnerable to exchange-rate fluctuations. Given the instability in exchange rates, he considered that the split-currency system of assessment, with some modifications, would be the best choice. However, it should be subject to regular review.

44. Turning his attention to item 4 (g), he welcomed the efforts by the Director-General and the Secretariat to prepare a revised bulletin on guidelines and procedures governing acceptance and funding under special trust funds, IDF and the regular budget. He hoped that the guidelines would facilitate the implementation of projects and the finalization of new projects by recipient countries. He had also taken note of the point made in paragraph 5 of document IDB.10/10

regarding the Standard Basic Cooperation Agreement. In that regard, the Secretariat could perhaps elaborate on the factors which had inhibited the Agreement's wider acceptance and indicate whether a revision of the Agreement would be worthwhile.

45. Referring to item 4 (h), he said that his delegation had actively participated in the informal consultations on the question of priorities within the medium-term plan, and that its views were broadly reflected in the statement of the Chairman of the Group of 77 (see document IDB.10/29, annex). As for PBC conclusion 92/10, he reiterated his delegation's opposition to the zero real growth philosophy, particularly in view of the lower rate of payment of assessed contributions. If zero real growth were to be adopted for the 1994-1995 biennium, it must be accompanied by effective measures to ensure the full payment of assessed contributions, preferably within the first half of each year. The Organization was constantly being given new tasks and must be provided with adequate funding in order to perform them. It was hoped that major donor countries would make special efforts to increase their voluntary contributions to UNIDO's programmes.

46. Regarding item 4 (l), the UNIDO Country Director programme was of considerable importance to the developing countries and all possible measures should be taken to meet the target of 50 posts in the foreseeable future. He hoped that the UNDP Governing Council would reconsider the allocations for UCDs in its fifth programming cycle.

47. Lastly, with regard to item 4 (i), he welcomed the Secretariat's efforts to reach the annual funding target of $50 million as soon as possible and hoped that Member States would cooperate accordingly. As a donor and recipient in projects financed by IDF, India had made regular and substantial contributions to the Fund in past years. It was pleased to renew its commitment to contribute the equivalent of $1 million to the Fund during 1993.

48. Mrs. SIRIPANUWAT (Thailand), speaking on behalf of the Asian Group, said that, in view of the great importance of UNIDO Country Directors in the enhancement and strengthening of the Organization's activities, the Group was very concerned to note that the current financing arrangements were expected to result in a reduction of up to 16 UCD posts funded by UNDP sectoral support by 1996. The number of UCD posts should be gradually increased to reach the target of 50 set forth in Board decision IDB.8/Dec.14 and endorsed by the General Conference in its resolution GC.4/Res.4, or at least be maintained at the existing level. That could be achieved only through financing from an appropriate combination of sources including, in particular, UNDP, and she therefore fully supported the continuation of negotiations with UNDP to achieve the maximum number of UNDP-financed posts for the fifth programming cycle. The Asian Group wished to request the UNDP Governing Council at its forthcoming session in February 1993 to take appropriate action in the following areas: to consider approving an increase in the annual allocation for the UCD programme in order to permit the maximum possible number of UCD posts; to authorize an adjustment in the yearly allocation within the total resources approved for sectoral support, as an interim measure, in order to allow UNIDO to maintain the current number of 26 UNDP-financed UCD posts for the biennium 1992-1993; and to consider including the question of the funding of the UCD programme in the review on sectoral support due to be carried out in 1993. In view of UNDP's own restrictions regarding increases in contributions, UNIDO would have to mobilize still further resources in the future to offset inflation and achieve the target of 50 UCD posts. The intention of the Secretariat on a trial basis to combine the functions of UCDs with those of the regional advisers, and to consider the appointment of national senior officers as national UCDs, was therefore welcomed. In conclusion, the Asian Group wished to endorse the recommendation made by the Programme and Budget Committee in its conclusion 92/13.

49. Mr. MARTIN (United States of America) said that the consultations conducted by the Chairman of the Programme and Budget Committee concerning the prioritization of UNIDO's activities, as a means of helping the Organization adapt to its worsening financial environment, represented a crucial step in addressing the extraordinary crisis facing UNIDO. If UNIDO was to be able to propose a budget and a medium-term plan that were reasonable in present circumstances, it needed general guidance from Member States as to which functions were most important. The medium-term plan was not a suitable instrument for making decisions in such a situation. What was needed was an instrument that recognized differences in activities, a need that had been acknowledged by the Programme and Budget Committee when it had accepted UNIDO's ranking of its programme instruments (PBC.8/18). The medium-term plan to be approved at the ninth session of the Committee, while reflecting the important areas that Member States had designated as "priorities", could nevertheless recognize different levels of resources that UNIDO should commit to the functions with which it pursued those "priorities". Member States' discussions on the proposed 1994-1995 budget, which would of necessity reflect their views as to which of UNIDO's programmes were most essential, needed to result in decisions that were as rational as possible in terms of UNIDO's mission.

50. With regard to the financial situation of the UNIDO Country Director programme, his delegation believed that UNIDO should continue its negotiations with UNDP for increased funding and continue to request voluntary contributions. Also, in the current period of budgetary stringency, the cost-effectiveness of the UCD programme should be carefully evaluated in terms of the overall country resources managed by each UCD in relation to the overhead costs required to maintain each individual UCD in situ. Currently, it would be inappropriate to consider reprogramming regular budget funds or making additions to the regular budget for the UCD programme.

51. Mr. POPESCU (Romania) said that his delegation had learned with concern of the status of unpaid assessed contributions to the regular budget as at 30 September 1992. His delegation had also noted the measures recommended to balance the operational budget as soon as possible, at the latest by the end of 1993. His delegation fully supported the measures proposed by the Programme and Budget Committee in its conclusion 92/5 (IDB.10/14, para. 16) and had noted that, as requested in that conclusion, additional measures

were already being reviewed by the Director-General to achieve a stabilized operational budget before the end of 1992. In view of the information provided by the Committee and the Director-General, his delegation supported adoption by the Board of the draft decision on the financial situation as proposed in document IDB.10/27.

52. Despite its very difficult economic and financial situation, his Government had already paid all its outstanding contributions to the regular budget prior to 1992.

53. His delegation was able to endorse all the other conclusions and recommendations in the Committee's report and the relevant Board documents.

54. He would return to the question of item 4 (l) (UNIDO Country Director programme) when the Board came to consider item 8 of its agenda.

55. Mrs. WIIG (Norway) said that the situation arising from the continued delays in the payment of assessed contributions was a matter of serious concern to her delegation. That situation placed the Secretariat in an intolerable position and made long-term planning very difficult and prudent management of resources virtually meaningless.

56. Furthermore, non-payment by so many Member States placed an obviously unfair burden on those Member States that did meet their financial obligations. In a document before the present session of the General Assembly, the Secretary-General of the United Nations had introduced a proposal to charge interest on unpaid balances. Norway had supported that proposal and would welcome the adoption of a similar proposal by UNIDO. Early payments by some Member States should not be used to subsidize those members with a poor payment record. Norway would support decisive action on that issue at the present session of the Board.

57. Mr. WARNER (Deputy Director-General, Department of Administration), replying to questions, said that the United Kingdom representative, speaking on behalf of the European Community at the previous meeting, had asked for a breakdown by department of vacant posts against the forecast used as the basis for the 1992-1993 programme and budget. The Secretariat had now supplied the United Kingdom representative with the most recent printout of vacancies by department, which could also be distributed.

58. The percentages under the operational and regular budgets were as follows: general management and operational budget (Professional capacity), 25 per cent; programme and project development, 13.8 per cent; industrial promotion, consultations and technology, 33 per cent; industrial operations, 42 per cent; administration, 16.6 per cent.

59. The figures for vacancies in the Professional category under the regular budget were: general management (Major Programme 200), 5.8 per cent; programme and project development, 10.3 per cent; industrial promotion, consultations and technology, 14 per cent; industrial operations, 10 per cent; external relations, public information, language and documentation services, 26.7 per cent; and administration, 21.2 per cent.

60. The percentage for the regular budget (Professional category) averaged out at 14.8 per cent at 30 October 1992, and that for the operational budget (Professional category) at 24.7 per cent. For the General Service category the figures were 24 per cent for the regular budget and 6.4 per cent for the operational budget. It was important to note that a significant portion of the regular budget General Service posts in the Department of Administration were cost-shared.

61. In reply to the question concerning redeployment to fill higher priority posts, he said that the Secretariat was guided by General Conference resolution GC.4/Res.29, paragraph 2 (b). During the current year, the Organization had been able to reassign 27 Professional staff members, approximately matched by 29 Professional staff members separated by attrition. In addition, a reasonable percentage of General Service staff members had been redeployed, mainly through internal advertising of posts.

62. With regard to the reduction of staff, 29 staff in the Professional category, as he had said, had already left in 1992. That trend would continue and the vacancy rate would probably increase.

63. Regarding additional measures taken to balance the operational budget in line with PBC conclusion 92/5, expenditure on non-staff items such as travel, consultants and ad hoc expert group meetings had been held below allotted levels and vacancy factors for both Professional and General Service staff had been increased following the conclusion of the eighth session of the Programme and Budget Committee. In issuing allotments for 1993 the Director-General would, in addition to reduced expenditure levels foreseen through lower staffing, restrict the use of resources for non-staff expenditures to the minimum required to maintain programme viability including technical cooperation delivery.

64. It was essential to realize, in connection with the separation of staff under staff regulation 10.3, that the overall cost of separations increased when staff had been under contract to the Organization for a longer period.

65. On the question of which departments had been most affected by the vacancy rate, he said that the highest vacancy rate in the Professional category under the regular budget was in external relations and in the Department of Administration, where the rate was over 20 per cent. The other major programmes averaged 10 or 12 per cent, with the exception of general management, where the staff was smaller and the percentage lower.

66. As to the Director-General's priorities for using the injection of cash represented by the recent payment received from the United States, the sum would cover the immediate regular budget requirements for October, November and December. In addition, in accordance with the financial regulations, a contribution of $3 million would be made to the Working Capital Fund.

67. As to how the 88 per cent of programme allotments issued for 1992 tied in with the statutory withholding of 15 per cent, he said that the Secretariat had to foresee in its cash-flow statements what the receipt of assessed contributions would be; periods began with a 15 per cent hold back to which adjustments had to be made depending on the availability of resources. In particular, arrangements could be liberalized to assist programme management in

keeping to delivery schedules. He thought it was generally accepted that flexibility was needed and that such matters should be tackled on the basis of the resources available.

68. As to the question of the expected deficit of nearly $6 million in the balance of reserves for operational activities, the Secretariat would continue to monitor and restrain all non-staff costs as far as possible without making significant inroads into the Organization's capacity for programme delivery. At the same time, the timing and nature of the statutory and non-statutory use of operational reserves had to be carefully respected. Stabilization involved dealing with the excessive vacancy rates and the potential for the reduction in staff under the provisions of staff regulation 10.3. To the extent that income projections allowed, the Secretariat would do all possible to avoid separations. However, Member States had made it clear that the Organization had to respect the purposes of the operational reserves and therefore, should it be necessary under the stabilization programme, those funds would be used for the purposes intended.

69. It had been asked which problems in the industrial development process the Secretariat felt that UNIDO should tackle first at a time of scarce resources. That was a broad question, and an answer would depend, for example, on whether the approach was to be regional or to include sectoral criteria and whether developing countries only were to be considered, or whether all countries with IPFs should be considered. It was also a time-frame question; needs of Member States would vary from one period to the next. The Organization's long-standing role had been that of delivering technical assistance at the micro level, unlike the World Bank and other institutions within the multilateral system. It also had to be realized that priorities constantly changed. As regards the question of UNIDO's comparative advantage, such areas as privatization, technical cooperation, technical assistance, investment, human resource development and institution-building would come under consideration. A substantive reply to the question would call for an annual analysis of Member States' needs. Those needs would vary widely from one State to another, and the question thus opened up a broad horizon of discussion and raised issues such as the level of resources contemplated and the number of development processes that should be tackled in view of scarce resources. If a partly sectoral answer was desired, it could be said that leather, textiles, wood and cement programmes, for example, were highly valued in many Member States. Service skills, such as skills in the areas of investment and feasibility, purchases and contracts and industrial statistics, could also be mentioned.

70. The question of whether the provision of personal computers to staff in the Organization would result in savings through reductions in General Service staff support costs had been widely discussed over a period of several years by highly qualified consultants and experts provided by Member States and by the Secretariat. Savings would be achieved in the long term. The time periods within which such savings could be made and staffing levels thus controlled was dependent on the level of training, the productivity of individual staff members, the nature of the programme concerned and the degree to which it lent itself to computerization, etc. The statistics for the Department of Administration alone over the last 18 months showed considerable increases in efficiency, as would be seen when the budget for the biennium 1994-1995 was submitted.

71. It might be desirable to make a clarification in connection with the statement of the representative of Mexico that UNIDO's financial crisis was unparalleled in the United Nations system. While the seriousness of the situation was not in doubt, it was important to note that the only obligations of UNIDO, as reported in its cash-flow statements, were minor unpaid operating obligations at the end of a given year; the Organization did not borrow, unlike other institutions in the multilateral system. A balance-sheet evaluation would therefore show UNIDO in a reasonably favourable light.

72. In response to the request made by the representative of Turkey for additional information on UNIDO's expected income up to 1995, the figures for 1994 and 1995 would have to be completed and presented in a draft budget document in December. The 1993 income figures for the operational budget were comparable to the 1992 levels, possibly with a slight improvement as a result of a delay in the successor arrangements, meaning that TSS-1 would basically be a 1993 programme and the bulk of the income would be received in that year.

The meeting rose at 5.30 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 3 November 1992, at 10 a.m.

President: Mr. BALAZS (Hungary)

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The meeting was called to order at 10.30 a.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (continued) (IDB.10/14)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991 (continued) (IDB.9/10 and Corr.1 and 2; IDB.10/3, 4, 11 and Add.1, IDB.10/25)

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(g) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET (continued) (IDB.10/10)

(h) MEDIUM-TERM PLAN, 1994-1999 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1994-1995) (continued) (IDB.10/5 and Add.1, IDB.10/29)

(i) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (continued) (IDB.9/10, chap. VIII, paras. 14-20 and appendix G; IDB.10/2)

(j) ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.10/30)

(k) FINANCIAL REGULATION 4.1, PARAGRAPHS (d) AND (e) (continued)

(l) UNIDO COUNTRY DIRECTOR PROGRAMME (continued) (IDB.10/34)

1. Mr. MAJID (Iraq) said that the Organization's difficult financial situation put at risk its ability to fulfil its responsibilities, notwithstanding the constructive recommendations of the External Auditor and the commitment of the Director-General to the implementation of those recommendations. Under such circumstances, his delegation had serious doubts as to the feasibility of the ambitious programmes and projects proposed. The situation could only be remedied if Member States fulfilled their financial obligations.

2. If the problems besetting the Organization were to be resolved, it was essential that the priorities defined under the medium-term plan - priorities which had been enshrined in the Constitution - should be adhered to.

3. UNIDO faced a number of urgent problems, notably the need to appoint a new Director-General, the problem of its financial resources and the question of its relations with UNDP. Failure to solve those problems would have serious repercussions on an aspect of the Organization's work which ought to be given supreme priority, namely, its efforts to alleviate the situation of the developing countries in general, and of the least developed countries in particular. That task would not only involve action by UNIDO: it would also involve changes in capital flows and in the structure of international trade.

4. His delegation wished to express its concern at proposals to reduce the number of Country Directors owing to lack of resources. Adequate financial measures needed to be taken to ensure that the current number of UCDs could be maintained, or even increased.

5. His delegation welcomed the Director-General's report in document IDB.10/10, and particularly endorsed the statement regarding Standard Basic Cooperation Agreements in paragraph 5. It noted that only 18 countries had so far signed cooperation agreements with the Organization and would like to see such agreements covering all Member States.

6. A number of important projects had previously been under way in Iraq in association with UNIDO, but those projects had been brought to an abrupt halt following the aggression perpetrated against the country, aimed especially at its economic infrastructure, and notably the industrial and petroleum sectors. As a result, Iraq's need of UNIDO's technical assistance had become all the more urgent.

7. Mr. CHON (Observer for the Democratic People's Republic of Korea) said his delegation wished to associate itself with the statement made by the representative of Philippines on behalf of the Asian Group, and also to support the statement made by the representative of Thailand in regard to the UNIDO Country Director programme.

8. He fully shared the concern expressed by many delegations with regard to the critical financial situation facing UNIDO in regard to both its regular and operational budgets. It was regrettable that the total amount of outstanding contributions at the end of October 1992 had amounted to more than $53.7 million, or some 48 per cent of the assessed contributions for 1992. He was also alarmed to note that a deficit of $5.9 million in the operational budget was expected by the end of the year and that the Organization might face a situation of financial default during the course of 1993. While he would encourage the Secretariat to make additional efforts to achieve a balanced operational budget in line with the recommendation of the Programme and Budget Committee in conclusion 92/5, he also looked forward to a speedy improvement in the situation regarding payment of Member States' assessed contributions. His own Government was having difficulty in meeting its assessed contribution for 1992, as a result of an unexpected and drastic increase of 300 per cent in its scale of assessment for that year. However, it hoped to meet its obligation before the end of the current year as soon as the necessary supplementary budget adjustment procedure had been finalized.

9. Since the only solution to the current financial crisis lay in the prompt payment by Member States of their financial contributions, it would appear that the time had come to consider some kind of incentive scheme to encourage regular payment. His delegation would support such a

scheme and would encourage the Secretariat to study the question with a view to presenting a concrete proposal for the Board's consideration. In that connection, he supported the views expressed by the Austrian representative. He had noted with interest the suggestion by the representative of Norway that interest be charged on payments unduly delayed, an idea which should be further explored.

10. With reference to the report by the Chairman of the Programme and Budget Committee (IDB.10/29), he commended him for his success in conducting informal consultations to study relative priorities within the medium-term plan, in compliance with PBC conclusion 92/10. Despite the divergent views expressed, those consultations had proved extremely useful and had provided a constructive basis for moving on to the next, more detailed phase of consultation.

11. His delegation wished to reiterate its continuing support for the prioritization of UNIDO's activities within the framework of the medium-term plan. For the time being, it had no difficulty in endorsing the fundamental guidelines and main priorities outlined in paragraphs 8 and 9 of the report by the Chairman of the PBC (IDB.10/29).

12. Mr. ABDALLA (Sudan) said there was no doubt that the financial crisis now besetting the Organization would hamper it in its vital role of providing assistance to the least developed countries. His delegation was most concerned at the attitude adopted by those countries which had failed to commit themselves sufficiently to furthering the interests of the Organization, since that attitude had resulted in the crisis becoming further aggravated. He appealed to all countries concerned to increase their commitment, so that the crisis could be overcome.

13. The country programmes described in the Annual Report (IDB.9/10) were the most important aspect of the Organization's work, and it was those programmes which would be most affected by the situation in which the Organization now found itself. In view of the vital significance of those programmes, he would like to see the current session take appropriate measures to guarantee that they would be implemented.

14. Mr. SKRIPKA (Russian Federation) said that the decisions of the Programme and Budget Committee largely coincided with his delegation's own position on the issues discussed. His delegation also endorsed the Committee's conclusion that authority should be delegated to the Director-General to approve projects for financing under the Industrial Development Fund, in accordance with the priority areas of the medium-term plan. However, the Secretariat should take steps to improve the quality of the projects, in terms of their relevance and effectiveness. He supported the Secretariat's proposals regarding the general lines of programming for 1993 and 1994, but felt that room should be made for the conversion and use of financial resources released as a result of cuts in military spending. Because of the interdependence of the economies of developed and developing countries, the beneficial effect of redistributing resources for peaceful industrial purposes would be felt throughout the world. One inhibiting factor in making use of the newly-released funds was the failure to devise industrial conversion programmes. That was an area in which UNIDO could play a major role, and the Fund should be regarded as the key mechanism for programming the use of the additional resources. The Director-General should be given authority to enter into discussions with the leading officials of the United Nations and of other organizations in the United Nations system, with a view to preparing an inter-agency programme for the conversion and use of the newly released financial resources for socio-economic development.

15. The Organization's present financial difficulties justified the decision, taken some years previously, to adopt a split-currency system of assessment. UNIDO's financial situation would undoubtedly have been worse if that had not been done, and the system should therefore be continued in future.

16. He was grateful to the Chairman of the PBC for organizing the informal consultations on priorities within the medium-term plan. However, he agreed with the view expressed by some other delegations that the consultations had not fulfilled the mandate assigned to them at the eighth session of the Committee. Unfortunately, an attempt had been made during the consultations to review the priorities of the plan itself. The powers of the Committee had thereby been exceeded at a particularly inopportune moment, given the imminent change of leadership of the Secretariat. As a result, there was little to show for the consultations, although the need for the Organization to adapt to present-day realities had never been more pressing. The Board would therefore have to review the medium-term plan at a future session.

17. The state of UNIDO's regional activities was worrying, and especially the Country Director programme. The solution now advanced by the Secretariat for financing the programme was questionable, since it relied simply on the generosity of donors and failed to take account of the changing relations between UNIDO and UNDP. The problem of UNIDO's Country Directors could not be tackled in isolation from the question of the existing infrastructure of regional activities and the availability of personnel and financial resources from the Department for Programme and Project Development. In view of the fact that the General Assembly was considering the establishment of joint United Nations and specialized agency missions in the various countries and regions, the problem of the Country Director programme should be tackled in accordance with the following criteria: regional coverage, compliance with General Assembly decisions concerning joint missions, and the independence of the Country Directors in the context of UNIDO's mandate. The Director-General should be asked to consider the matter and to submit his views to a future session of the Board.

18. Mr. MAŞ (Costa Rica) said that while Member States should make every possible effort to fulfil their financial obligations to the Organization, it was important to view the matter in perspective: for a rich country the payment of a contribution of several million dollars would present no problem, but payment of a sum such as $25,000 would be extremely difficult for a country such as his own. Costa Rica's current inability to pay its assessed contribution meant that it would be deprived of its right to vote.

19. The Norwegian suggestion that interest be charged on arrears of contributions seemed in principle to be a sound one, but he would suggest that such charges should only be levied once a

fairly high level of debt had been incurred, since otherwise developing countries which often had serious difficulties in meeting their financial obligations to international organizations might find themselves at a disadvantage.

20. The PRESIDENT noted that the debate on item 4 was concluded.

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS (IDB.10/8, IDB.10/10, IDB.10/15)

MOBILIZATION OF FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT (IDB.10/20)

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (IDB.10/20)

21. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), referring to document IDB/10/15, said that guidelines for development, appraisal, approval and implementation of special trust fund projects had been submitted by the Director-General to the General Conference at its fourth session. While approving those guidelines, the Conference had requested the Director-General to prepare some additions to them for submission to the Board at its tenth session, and those additions were contained in paragraph 11 (a) and (b) of the document. Their purpose was to emphasize that developmental aspects would be the main criteria for accepting special trust fund projects and that when appraising such projects consideration would be given to their relevance, cost-effectiveness and sustainability.

22. Most self-financing trust fund projects focused on provision of goods and services to individual factories, with the general aim of improving their performance, capacity utilization and overall viability. UNIDO carried out such activities only with the support of the Government of the developing country concerned. In such projects, the relation between the factories' development objectives and the government's national plan might not be obvious, and for that reason appraisal tools might have to be adapted. Certain bilateral aid organizations had the same difficulty: one such organization did not apply the standard appraisal tools established for grant aid projects to all self-financing trust fund-type projects where it was only providing direct services. He pointed out that General Assembly resolution 45/196 had recognized the usefulness of UNIDO's special trust fund mechanisms for the provision of direct services to industry with a view to assisting diversification and modernization.

23. The Conference had also requested the Director-General to present a proposal on the application of financial rule 106.21 for reimbursement of programme support costs for special trust fund projects. In that proposal (IDB.10/8, paragraphs 16-18), the Director-General suggested that the current rate of reimbursement should continue to be applied to special trust fund projects, except that for very large projects or projects with an unusual composition of inputs, specific reimbursement rates might continue to be negotiated, in line with the provisions of financial rule 106.21.

24. The Director-General had also been invited to report on the implementation of resolution GC.4/Res.28, on appraisal activities, on in-depth evaluation, and on steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution. Document IDB.10/15 contained a report on the first three questions, while a separate report had been submitted on the regulatory framework (IDB.10/10).

25. Document IDB.10/20 reported on the implementation of the actions and measures called for in General Conference resolutions GC.4/Res.21, on mobilization of financial resources for industrial development, and GC.4/Res.22, on the external debt and industrial development. Because of the very considerable degree of overlap between UNIDO activities aimed at the mobilization of financial resources for industrial development and activities directed towards alleviating the effects of external debt on such development in developing countries, the document provided a single joint report on the two subjects. It covered a number of topics, including innovations in industrial financing; promotion of direct mobilization of financial resources; cooperation with international, regional and bilateral financing institutions for development; conforming with the priorities of UNIDO's Constitution and the medium-term plan; coordination with subregional and regional development banks and international financing institutions; and assistance to developing countries in identifying, designing and financing industrial projects in response to their needs.

26. The report also summarized activities with regard to UNIDO technical cooperation and the alleviation of the debt burden and described UNIDO inputs in current methods of industrial financing and the development of innovative approaches. It included consideration of the debt problem and developing countries' priorities in planning, formulating and implementing UNIDO activities and reviewed the situation of the Industrial Development Fund.

27. Ms. RADICE (United Kingdom), speaking on behalf of the European Community and its Member States, noted that the issue of UNIDO's trust funds had been extensively discussed at the General Conference of November 1991, and again at the ninth session of the Programme and Budget Committee, the representative of the European Community had stressed the importance of more detailed guidelines and procedures for such trust funds.

28. With regard to document IDB.10/15, she was not fully convinced that the guidelines had been fully adhered to: the action proposed did not seem to be compatible either with previous resolutions or with the decisions of UNIDO's policy-making organs on the matter. In her delegation's view, trust funds should not receive treatment different from other developmental activities of UNIDO as far as their transparency and their conformity with the objectives of the Organization were concerned.

29. Even in the current financial crisis, UNIDO should only undertake activities that satisfied qualitative criteria. She looked forward to receiving the clarifications that would enable the Board to reach a decision at its eleventh session.

30. Mr. PLUG (Netherlands), speaking on behalf of the delegations of Belgium, Denmark, Germany, Greece, Portugal and Spain as well as his own, referred to the Director-General's report on the guidelines for special trust fund projects (IDB.10/15). He noted that according to

paragraph 4, only 50 trust fund projects had been appraised out of a total of 97, and only six of those had been in conformity with the rules. Twenty-eight projects had had to be reformulated, and 16 had been the subject of divergent views, which meant that they had not been up to appraisal standards. The disquieting conclusion was that 70 per cent of trust fund projects had either not been appraised when first presented, or had given rise to a negative appraisal.

31. Furthermore, according to paragraph 5, the appraisal tools used were not sufficient to appraise special trust funds, especially self-financing trust funds, the Director-General concluding that additional resources should be made available to adapt the appraisal criteria. The text of paragraph 5 was clearly contrary to decision GC.4/Dec.11, resolution GC.4/Res.28 and decision IDB.9/Dec.7.

32. Paragraph 6 stated that the Director-General had issued a revised bulletin (UNIDO/DG/B.73/Rev.1) containing administrative instructions for the development, appraisal and implementation of special trust funds projects. Paragraphs 7 to 13 of the bulletin contained procedures to ensure that the projects would be designed and formulated in accordance with the guidelines contained in the UNIDO Project Design Reference File. He felt that the appraisal criteria applied to trust fund projects should not be special; they should be the same as those applied to UNIDO's other development activities. He had noted the statement, in paragraph 6 of the Director-General's revised bulletin, that the Industrial Cooperation and Management Branch would inform the Area Programmes Division of any projects being developed and that the Division would inform the Branch of all opportunities for developing special trust fund projects. That appeared to imply that the Area Programmes Division was merely being informed, but was not to play any role in the decision-making process, with the result that special trust fund projects would, in fact, be treated differently from other UNIDO activities.

33. Again, it was stated in paragraph 7 of the Director-General's bulletin that the Industrial Cooperation and Management Services Branch would design and formulate special trust fund projects "if necessary with the advice of the Programme and Project Appraisal Section", which implied that the advice of the Section would not be given as a general rule.

34. According to paragraph 9 of the bulletin, the appraisal of trust fund projects should follow the quality criteria set out in the annex to document GC.4/28, which had been adopted, by decision GC.4/Dec.11, paragraph (d), as a basis for all UNIDO projects. At the same time, however, resolution GC.4/Res.28 requested the Director-General to amend the definitions for appraisal criteria in line with decision GC.4/Dec.11, paragraph (d). At its ninth session, the Board had again confirmed the wishes of Member States in that respect, in decision IDB.9/Dec.7.

35. The conclusion was irresistible that the Director-General's bulletin was not fully in line with the decisions and resolutions adopted by UNIDO's various governing bodies. Worse, the text of paragraph 9 of the bulletin meant that decisions GC.4/Dec.11, GC.4/Dec.28 and IDB.9/Dec.7 were not being applied. Further, it appeared from paragraph 17 of the bulletin that the Director-General had delegated his authority to approve trust fund projects, contrary to paragraph 7 of resolution GC.4/Res.28. All in all, a number of statements in document IDB.10/15 were not in conformity with resolution GC.4/Res.28, according to which the Director-General was to issue a revised bulletin including a complete and updated, comprehensive and transparent regulatory framework for the implementation of Articles 16 and 17 of the Constitution.

36. He concluded that both the Director-General's bulletin 18/Rev.1, on Model Agreements and Guidelines for Projects, and his bulletin 73/Rev.1, on Trust Fund Projects, needed to be made compatible with the resolutions and decisions on trust funds taken by the various policy-making organs of UNIDO, as well as with each other. Document IDB.10/15 ought to be revised in that light. In the meantime, the delegations on whose behalf he was speaking reserved their position on the "proposed additions to the guidelines" referred to in paragraph 11.

37. Mr. HELLER (Mexico), referring to agenda items 8 and 9, drew attention to the views expressed by various multilateral financial institutions with regard to the mobilization of financial resources for industrial development and the external debt. During the 1990s, the developing countries were expected to encounter continuing difficulties in obtaining sufficient external financing to revive their industrial development. Although private financial flows had increased in recent years, official development assistance, and especially multilateral aid, had failed to keep pace. Many countries had difficulty in coping with debt repayment and servicing, despite some progress in handling the external debt problem. The work being done by the various United Nations organs to mobilize financial resources for development and to alleviate the debt burden of the developing countries was therefore all the more important. He welcomed UNIDO's constructive efforts in that direction, as recorded in document IDB.10/20. UNIDO should continue to strengthen its links with international and bilateral financing institutions, with a view to financing industrial development projects and pursuing activities in which it had a particular advantage. It should focus its efforts on the innovative machinery proposed by the Director-General with regard to venture capital companies and funds and country funds focused on developing country stock markets.

38. The Governments of the industrialized countries should offer incentives for industrial development projects which would mobilize funds for industry in the developing countries. He stressed the need for a policy of steadily increasing the capital of the international financial institutions, to preserve their role as promoters of industrial development.

39. When called upon by Governments to do so, UNIDO should offer expert advice on policies for private investment in industry, whether from domestic or from foreign resources. A further aspect to be considered in the context of mobilizing financial resources was the relief of poverty. Some of UNIDO's projects should be directed to the poorest sectors of the population, especially through training and the improvement of living conditions.

40. Mr. VELAZQUEZ (Peru), referring to agenda item 7, said that trust funds were one of the pillars of UNIDO's future work. The revitalization of UNIDO's operational mechanisms,

especially the trust funds and investment promotion, would play an important role in the restructuring of the Organization, because of their direct links with international markets. The trust funds were particularly worthy of support and offered promising prospects for the industrial development of the developing countries. The investment promotion network should remain closely linked to trust fund activity, to ensure effective coordination with international financial institutions. His delegation supported the guidelines set out in document IDB.10/15, which appeared to be sufficiently flexible to meet the requirements of each situation, country and market. The appraisal criteria for trust fund projects, as for other UNIDO projects, should take account of the viability of the project, its financing, the cost benefit ratio, and its commercial competitiveness.

41. Turning to agenda item 8, he said that the debate on the mobilization of financial resources should be based on a reaffirmation of the Bangkok mandate and should pursue specific lines of action. UNIDO should continue to formulate recommendations on innovations in industrial financing. The System of Consultations should be strengthened so as to constitute a forum for investment promotion and transfer of technology. Efforts should be made to find additional resources for the Industrial Development Fund, as well as to secure trust funds for improving the industrial competitiveness of developing countries. The mobilization of financial resources should also lead to better coordination between UNIDO and the international financial institutions.

42. Turning to agenda item 9, he stressed the need for a lasting solution to the external debt problem, through joint action by the creditor countries. The problem must be tackled by introducing concessionary terms. There was a clear link between trade liberalization, the free flow of capital, levels of industrialization and debt repayments. The debt crisis had seriously restricted the availability of funds for industrial development in debtor countries. The Board should therefore take a decision to adopt measures to alleviate the imbalance in the economies of the developing countries resulting from the debt servicing problem and its impact on industry. The new methods for mobilizing financial resources defined in document IDB.10/20 would, if applied, redound to the benefit of the debtor countries, and the Board should resolve to act upon them. Special emphasis should be placed on countries in which UNIDO was active, especially with regard to the pre-investment stage of projects and their financing. UNIDO should also step up its coordination with the international financial institutions, with a view to developing innovative approaches to debt relief.

43. Mr. CHEN Shiqiu (China), speaking on agenda item 7, welcomed the fact that the special trust fund programme now provided an important part of the resources available for technical cooperation, and a source of additional funding, in line with General Assembly resolution 45/196. Noting that in the present financial situation funds for technical cooperation and for UNIDO's operational budget had fallen, he expressed the hope that the departments of UNIDO responsible for the trust fund programme would be strengthened and the scope of the programme expanded. He supported the two additions proposed by the Director-General to the guidelines for special trust fund projects, in accordance with resolution GC.4/Res.28. The rapid growth of the programme in recent years was due to the swift identification and approval of projects and the streamlining of procedures. Project evaluation and monitoring should be improved, but should not become over-bureaucratic, and efforts should be made to maintain the effective features of the trust fund programme.

44. Turning to agenda item 8, he noted that the mobilization of financial resources for industrial development was a major task for UNIDO. In discussing it, due account should be taken of the drastic changes which had occurred world wide and of the critical situation within UNIDO itself. The problem of inadequate financial resources for development in the developing countries was an ongoing one and was unlikely to be alleviated in the short term. He welcomed the continuing efforts of the Secretariat to mobilize resources for development, and to help the developing countries in the rational planning and use of those resources, and noted the Director-General's recommendations in that respect, contained in document IDB.10/20. Within the framework of UNIDO's present capacity, the focus should be placed on investment promotion, South-South cooperation, and strengthening cooperation with bilateral, regional and international financial institutions, with a view to helping the developing countries to attract foreign investment. However, the Secretariat's endeavours were seriously hampered by the reduction in UNIDO's operational budget income, and he urged Member States to act swiftly to resolve that problem.

45. Ms. OK (Turkey), observing that the medium-term plan priorities were very closely linked to the mobilization of financial resources, expressed agreement with the priorities set forth in document IDB.10/5 to serve as a basis for overall resource allocation. Her delegation also agreed that implementation of the plan and the programme budget was contingent upon the provision of adequate financial resources for technical cooperation and the prompt payment of assessed contributions. UNIDO must indeed be ensured a full and stable flow of funds to meet the challenges of the present decade.

46. Another important factor was cooperation with international, regional and financial institutions for development, which should be pursued with a view to mobilizing funds and preparing new research and studies for industrial strategy and policy formulation. In the belief that IDF was the most important financial resource for UNIDO, she urged that every effort should be made to increase its resources. Her Government had pledged a special contribution to IDF equivalent to $3,570,360 for 1993, covering eight projects. In 1992 Turkey had allocated nearly $300,000 as a special-purpose contribution for eight in-plant group training programmes in Turkey, covering the cement industry and small-scale foundries. Since the start of the programme in 1979, nearly 750 specialists from African, Middle-Eastern and Asian countries had been trained.

47. Mr. MA'AJI (Nigeria), referring first to agenda item 8, commended efforts to implement resolution GC.2/Res.10, paragraph 1, on the promotion of direct mobilization of financial resources for the industrialization of developing countries. His Government attached particular importance to UNIDO's current assistance to entrepreneurs of developing countries in the identification, formulation, screening and promotion of potentially viable projects requiring

foreign investment. Noting that the enormous problems besetting the Organization did not seem to have eroded the confidence of potential donors, he said that the special expertise of UNIDO and, in particular, its dedicated staff remained a source of pride.

48. Many developing countries, including Nigeria, had introduced policies facilitating private-sector investment and promoting efficiency in industrial plants and manufacturing processes. Nigeria had engaged in debt equity swaps to mobilize resources for its development and was satisfied with the returns achieved under the programme. His Government was also giving attention to similar innovations suggested by UNIDO, such as venture capital companies and funds. It was confident that UNIDO's current activities would assist in strengthening existing and establishing new national institutional capabilities for domestic and external mobilization of investment resources and improvement of the investment climate for local and private investors.

49. Turning to item 9, he commended UNIDO's continuing efforts to alleviate the external debt burden of developing countries. In particular, a number of projects in Nigeria's petrochemical sector had been implemented with the technical cooperation of UNIDO. Other pending projects actively supported by the Organization would, coupled with his country's national funding programme and multinational donor sources, facilitate the preparation of a comprehensive support programme and thereby strengthen the external trade sector, with a beneficial impact on Nigeria's balance of trade.

50. More nevertheless needed to be done to strengthen the capacity of the developing nations, especially in Africa, to acquire financial resources and technology that would promote their exports. Such capacity had been hindered by growing debt burdens and the ineffectiveness of measures to reduce the volume and servicing of debts. Well-conceived projects could not be implemented owing to resource mobilization difficulties, and resources could not be mobilized because of mounting debt and debt service obligations. The African countries were crippled by an overall debt in excess of $130 billion, but the international community appeared to be lulled into indifference by debt-servicing improvements in a few countries. The fledgling democratic experiments under way in Africa and the requisite industrial transformation of its economies would come to nothing if the debt problem persisted. Since an improved situation in that respect would produce benefits due to liberalization of trade, privatization, commercialization and deregulation of foreign exchange, he was confident that the approach recommended by UNIDO would, if embraced by all countries, help to ease the debt situation of the developing countries. His delegation therefore wished, in conclusion, to call for a closer look at the relationship between external debt and the promotion of industrial development in the third world.

51. Mr. SURYAWINATA (Indonesia), speaking on behalf of the Asian Group and referring to agenda items 8 and 9, said the developing countries in general were severely hampered by inadequate access to technology, unabated protectionism, historically low prices for commodities and raw materials, severely contracted financial flows and the crushing burden of external debt, resulting in reverse financial flows to the developed countries and the multilateral financial institutions. The developed countries, which had pledged to set aside 0.7 per cent of their gross national product for assistance to the developing countries but had only allocated 0.3 to 0.4 per cent of GNP, should fulfil the remaining commitment, amounting to $50 billion.

52. The vastly increased development finance needs of the developing countries called for substantially higher official development assistance in real terms. With the growing difficulty of domestic mobilization of resources and the constricted flow of international capital and assistance funds, there was a compelling need at the global and regional levels for innovative approaches to industrial financing. Since the requirement at the national level was a favourable climate for domestic and foreign investment, the measures taken by the developing countries to attract foreign investment would need to be complemented, on the part of the developed countries, by measures to encourage investors to inject capital into developing countries. The conditions imposed by multilateral financial and regional development institutions should not go beyond the requirements of economic discipline.

53. UNIDO should strengthen its pre-investment activities to identify and design industrial projects in response to needs, as well as maintaining an intermediary role in seeking financing from all sources necessary for their planning and implementation.

54. Welcoming the substantive progress made in nuclear and conventional arms reductions among the major Powers, he said that unrestrained global military spending not only posed an acute danger to world peace but drained national and international economies. The Asian Group therefore considered that, particularly in the present era of détente, part of the resources released as a result of disarmament should be reallocated to the socio-economic development of all countries, particularly those in the developing world.

55. The external debt crisis of the developing countries had intensified and was being aggravated by fluctuations in the major currencies and high interest rates. Since debt reduction schemes had proved inadequate and needed to cover all kinds of debts and categories of debtors, including those that had tried hard to meet their obligations, a differentiated approach should be adopted that would allow debt cancellation for the least developed countries and more generous terms in both debt servicing and new concessional loans to lower-income developing countries. Noting UNIDO's efforts to alleviate the external debt burden of developing countries, mainly through technical cooperation projects geared to making industries more competitive and increasing the utilization of indigenous resources, he urged the Organization to continue that laudable work.

56. To help Member States secure the necessary financing for light industries, the Asian Group supported the various innovative approaches for industrial financing presented in Industry and Development: Global Report 1991/92 (ID/376), with special reference to the "build-operate-transfer" mechanism and debt equity swap schemes. UNIDO could also usefully provide further policy guidance to Member States on the management of available resources.

57. In conclusion, the Asian Group welcomed the progress report by the Director-General on mobilization of financial resources for industrial development and the external debt and industrial development as contained in document IDB.10/20.

58. Mr. ZIEGLER (Switzerland), referring to agenda item 7, observed that projects financed through trust funds had grown in 1992 into one of the main ingredients of UNIDO's budget. It was therefore essential to provide detailed information on activities and to continue implementing guidelines in accordance with the purposes of the Organization. Document IDB.10/15 represented a step in the right direction, but only the future would show whether such guidelines were truly adequate to the aims envisaged.

59. Mrs. BECKER (United States of America) said that UNIDO needed clear guidelines with criteria for acceptance of all technical assistance projects, and not just those financed through trust funds. If such criteria were too vague, UNIDO could become vulnerable to political pressures to accept projects which might fall on the edges of or outside its mandate. Her Government was likewise concerned that UNIDO's growing dependence on trust funds might make it vulnerable to economic pressures to accept large-scale projects. While perhaps more profitable for the Organization, that would move it away from focusing on small and medium-scale projects, which were an important basis for development and one of UNIDO's priorities, besides being an area in which the Organization possessed a significant advantage. Her delegation would consequently like to be assured by the Secretariat that the proposed wording in document IDB.10/15 would not nullify the guidelines in resolution GC.4/Res.28.

60. Referring to the proposed additions to the guidelines, as set out in paragraph 11 (a) and (b) of document IDB.10/15, she said that the wording would appear to remove from the guidelines the idea that special trust fund projects needed special criteria. If that was so, it would have to be asked whether the criteria used for all UNIDO projects were sufficient.

61. Mr. AFANASYEV (Russian Federation), referring first to agenda items 8 and 9, said that UNIDO's activity in helping to mobilize financial resources for industrial development had recently been gaining in importance, which was undoubtedly in the interests of all recipient countries. Of great promise and utility to them, including countries switching to a market economy, was UNIDO's work on attracting foreign investment to industry, preparing, analysing and implementing investment projects, conducting investment forums and drawing up recommendations for Governments regarding the creation of a favourable investment climate and, of course, legislation in that area.

62. Commending the considerable amount of work done by UNIDO to attract investment, netting an impressive volume of approximately $1 billion in the first eight months of 1992, he spoke of the successful investment forums organized by UNIDO in China, Poland and Spain and mentioned the Conference shortly to be held in Vienna on "The Post-Soviet Republics and New Frontiers for Trade and Development", which he was sure would assist potential investors in finding their partners in Russia and the other countries of the former Soviet Union.

63. It would also be extremely useful for UNIDO to establish and further extend businesslike cooperation with international, regional and bilateral financial institutions. He welcomed the conclusion of the first cooperation agreement with the European Bank for Reconstruction and Development, with a large loan to Poland, and felt that the practice could usefully be expanded to similar cooperation agreements with regional banks and other financial institutions. Attention should also be given to drawing up proposals for the more rational and effective utilization of locally available financial, material and human resources.

64. At the same time, his delegation believed that UNIDO's mobilizing of resources for industrial development could be further activated if Member States were provided with recommendations based on studies concerning new approaches to the financing of industrial investment, using for instance debt-equity swaps, venture capital companies and funds, and country funds focusing on stock markets, industrial leasing and "build-operate-transfer" mechanisms.

65. Noteworthy too, in his delegation's view, was UNIDO's initiative in attracting internal financial resources for small enterprises, a matter in which Russia was cooperating. UNIDO's experience in holding a regional seminar for the Latin American and Caribbean countries on debt conversion mechanisms, for use by non-governmental industrial development organizations, was also of great interest to the Eastern European countries and the republics of the former Soviet Union. A similar seminar for countries undergoing the transition to a market economy would also be extremely useful. UNIDO's assistance in seeking donor countries that might have an interest in organizing such a seminar would therefore be most welcome.

66. His delegation took a positive view of UNIDO's work to mitigate the adverse effects of the indebtedness of the developing countries by establishing special trust funds and carrying out projects aimed at making the enterprises of those countries more competitive and increasing their ability to make effective use of local human, material and financial resources, as well as developing export-orientated industries and pressing ahead with import substitution. Important in that connection was a comprehensive approach to the mobilization of financial resources and the liquidation of external debt.

67. A partial solution to the problem of external debt in the developing countries would also be assisted by the formulation of country and regional investment programmes that took due account of the needs of the recipients of assistance. In that connection, closer cooperation and coordination between the Investment Promotion Division and the Industrial Cooperation and Funds Mobilization Division would be extremely useful.

68. Turning to agenda item 7 and noting the substantial work done by UNIDO to implement General Conference resolution GC.4/Res.28 on guidelines for special trust fund projects, he said that his delegation had no objection to the additions proposed in paragraph 11 of document IDB.10/15. At the same time, it considered that the need for the appraisal criteria to take due account of the relevance, cost-effectiveness and sustainability of such projects was obvious, since

donors were unlikely to be indifferent to those considerations.

69. Furthermore, in order to obtain full information so as to determine whether any particular project was viable, his delegation considered it necessary that an analysis should be made of the particular areas in which proposed projects were to be carried out with financing from trust funds. That would pinpoint emerging trends in the requirements of the developing countries, together with the projects in recipient countries enjoying the highest priority.

70. Mr. AZIRIA (Observer for Algeria) reaffirmed his delegation's support for the System of Consultations. He welcomed the holding of a regional workshop for Latin America and the Caribbean on debt conversion schemes to be operated by non-governmental organizations in connection with the generation of finance for small-scale industries. He hoped that a similar workshop would be held for Africa.

71. With regard to the mobilization of financial resources for industrial development, his delegation regretted that the innovations recommended by UNIDO in the Director-General's progress report (IDB.10/20) did not fully reflect the realities faced by developing countries. While privatization could increase the efficiency of enterprises and reduce public budget deficits, it would produce gains which were puny by comparison with the heavy burden of debt borne by developing countries and in the light of their difficult economic situation. The direct mobilization of financial resources along the lines discussed in the report should therefore receive serious consideration from UNIDO, with attention being given to matters such as project identification and the creation of a favourable economic climate for national and foreign investors.

72. The fact that the total value of investment projects in developing countries promoted through UNIDO had risen from $556 million in 1989 to $890 million in 1991 proved the extent to which the Organization's services contributed to the mobilization of financial resources for industrial development. His delegation looked forward to further expansion in UNIDO's cooperation with international development financing institutions. He reminded the Board that the mobilization of financial resources called for in General Conference resolutions GC.2/Res.10, GC.3/Res.5 and GC.4/Res.21 could not take place without a reasonable increase in the sums received from industrial countries for financing investment promotion in developing countries. His delegation stressed the need for official development assistance from developed countries to reach the level of 0.7 per cent of gross national product, in accordance with paragraph 40 of United Nations General Assembly resolution 45/199.

73. Mr. MOON (Republic of Korea) said that his delegation welcomed the work done by UNIDO in assisting developing countries to mobilize financial resources through the Investment Promotion Service, use of consultants and preparation of project feasibility studies. The Organization should expand that work as a matter of priority, adopting a multifaceted approach which would result in integrated programmes of advice, technical cooperation and investment capable of providing a long-term solution to the problem which developing countries faced in mobilizing financial resources.

74. Mr. POPEŞCU (Romania) said that in the present biennium the Industrial Development Fund was one of UNIDO's principal mechanisms for financing technical cooperation. He was therefore glad to learn that the Organization considered the Fund to be in a stable position and that the Fund continued to enjoy the support of its major donors. It was also gratifying that investment promotion activities received high priority in the Fund's operations. That should continue to be the case, with sectoral and thematic emphasis being given to the priority areas included in the current medium-term plan. In the period 1993-1994 UNIDO should optimize the impact of the Fund's very limited resources by ensuring that it financed high-quality activities which were relevant, cost-effective and sustainable and by giving greater consideration to the geographical distribution of national projects. The Director-General's report on the Industrial Development Fund and other voluntary contributions (IDB.10/2) enumerated, in paragraph 13, various programming and management modalities which were to receive emphasis in the period 1993-1994. His delegation supported them, as well as the recommendations embodied in the draft decision reproduced in paragraph 17 of the report. He was pleased to announce that, subject to ratification of his country's 1993 budget by the parliament, his Government would contribute 1.5 million lei to the Industrial Development Fund for 1993, a sum almost double that for 1992.

75. Mr. KUMAR (India) welcomed the Director-General's progress report on mobilization of financial resources for industrial development and the external debt and industrial development (IDB.10/20). UNIDO could play an important role in mobilizing investment in industry in developing countries, including his own. It should give adequate attention to the promotion of investment in those countries from abroad, utilizing the existing network of Investment Promotion Service offices and pursuing contacts with multilateral development agencies, such as the World Bank, regional development banks and the International Finance Corporation, and with interested merchant bankers.

76. His delegation was keenly interested in the idea of an investment forum being held in India which would bring together potential foreign investors and national entrepreneurs. The climate was appropriate for such an event, since his Government had recently undertaken a far-reaching liberalization of the economy and other steps conducive to foreign investment and growth in trade. UNIDO could usefully highlight the opportunities which arose for foreign investors as a result of industrial privatization measures undertaken in many countries.

77. With regard to the external debt and industrial development, his delegation welcomed chapter II of the Director-General's progress report (IDB.10/20). It agreed that UNIDO could play an important role in alleviating the consequences of external debt for the industrial sector of developing countries. His delegation approved of the work of the Secretariat in promoting technical cooperation activities aimed at increasing the foreign exchange earning

capacity of developing countries through export production and import substitution, improved competitiveness and the full use of locally available resources. It also approved of the promotion of investment and joint ventures in developing countries and assistance to them in negotiating and evaluating transfer-of-technology agreements.

78. His delegation noted with concern the severe impact of structural adjustment programmes in developed countries on industries in heavily indebted developing countries. Those programmes were linked to debt rescheduling arrangements by creditor countries and international financial institutions. UNIDO should devote attention to that issue. Structural adjustment should not result in the closure of local industries set up with great effort and cost in developing countries.

79. Mr. SZABO (Hungary) also welcomed the progress report in document IDB.10/20. Despite all the difficulties which Hungary faced in the process of transition to a market economy, his Government had increased its pledge to the Industrial Development Fund. Its voluntary contribution of 80 million forint would involve the following projects for 1993, which were undergoing preparation in close cooperation with UNIDO and met the Organization's medium-term priorities: group training courses on highly sophisticated and computer-based medical equipment and on food quality inspection and control; a top-level management training course on enterprise-level quality systems needed for exporting to developed-country markets, based on experience obtained from Japan and the United Kingdom, with special emphasis on African needs; a workshop on industrial policies for economies in transition; and support for fact-finding missions connected with the preparation of project feasibility studies. A further training course, concerning diagnostic maintenance, was innovative in that the instructor travelled to the region concerned, thus saving developing countries the cost of sending trainees to Hungary.

80. Mr. HOSSEIN-ZADEH (Islamic Republic of Iran), speaking on the guidelines for special trust fund projects, said that reimbursement to UNIDO of the cost of programme support and administrative services for the preparation and implementation of special trust fund projects in accordance with financial rule 106.21 was an important means of helping the Organization to obtain sufficient resources for the implementation of its mandate. Special trust fund projects could offset to a considerable extent the loss to UNIDO represented by the UNDP agency support cost successor arrangements. In that respect the level of the percentage rate applied to the reimbursement of support costs was of great importance. The contents of the table in the Director-General's proposal on reimbursement (IDB.10/8) suggested to his delegation that the reimbursement rate for projects with large equipment components could be less than 10 per cent. His delegation believed that for large-scale trust fund projects the rate should be appropriate both for the agency concerned and for the recipient country.

81. He noted from paragraph 4 of the Director-General's report on guidelines for special trust fund projects (IDB.10/15) that only 51 per cent of the trust fund projects submitted to UNIDO between March 1988 and June 1992 had been confirmed. In order to do better in that respect, UNIDO should revise its appraisal criteria definitions, and in particular the appraisal tools for self-financed trust fund projects.

82. He endorsed the statement on agenda items 8 and 9 made on behalf of the Asian group of States by the Indonesian representative.

83. Mr. SAMMAK (Syrian Arab Republic) said that his delegation greatly appreciated the work done by UNIDO to help developing countries overcome the crisis caused by their heavy indebtedness. Developing-country debt, and the servicing of it alone, had multiplied at a formidable rate since the 1970s. The solution to the crisis lay in increasing the economic strength of those countries, opening international markets to their products and achieving an equitable balance between the shares of world trade enjoyed by them and the developed countries. The latter should do everything they could to reduce or write off part of the former's indebtedness, which represented a real barrier to progress in the developing world.

84. Mr. FRANÇAIS (United Nations Development Programme) said that UNIDO faced important challenges, such as the review of the industrial development strategies for the present decade, the restructuring of its organizational framework and the mobilization of the resources which it needed. It also had to deal with the transition from the tripartite collaborative system to the new modalities of programme execution for the operational activities of the United Nations system decided on by the General Assembly in resolution 44/211 and complemented by UNDP Governing Council decisions with respect to programme approach, national execution and successor arrangements for agency support costs. UNDP was aware of the problems which agencies would have to solve as a result of those changes and had therefore agreed on a period of transition during which the old arrangements would continue to apply.

85. Regarding the mobilization of resources, decision 90/34 of the UNDP Governing Council had decided that for the fifth programming cycle a growth in resources of 8 per cent per annum from a base of $1 billion in 1991 could be assumed. However, on the basis of best estimates of contributions in the fifth cycle, it had been found prudent to assume a rate of growth of 4 per cent from the actual level of contributions in 1992. UNDP had therefore established programme delivery targets for the individual years of the fifth programming cycle in accordance with the revised expectations of resources. Thus from a level of $870 million in 1991, indicative planning figure (IPF) expenditures were projected to decrease to $730 million in 1994 in order to keep within available resources. So as to ensure that IPF expenditures did not exceed targets, only 90 per cent of the fifth cycle IPFs had been released for programming.

86. The rate of new project approvals during 1992, the first year of the fifth cycle, had been somewhat slower than in 1987, the first year of the fourth cycle. However, total approved project budgets, consisting of new approvals in 1992 combined with budgets already approved before the start of the cycle, were fully consistent with the reduced expenditure targets established for 1992. Also, UNDP was starting the fifth cycle from a higher base of approved budgets than in the previous cycle. The rate of approvals was

expected to accelerate in the remainder of 1992 and in 1993. New projects approved for national execution as a percentage of all new approvals had increased significantly, from 13.5 per cent in 1987 to 37 per cent in 1992, in response to General Assembly resolution 44/211 and Governing Council decision 90/21. In absolute terms, national execution expenditures were forecast to increase to $270 million by 1994.

87. The importance of ensuring that the specialized agencies provided technical support for nationally executed projects was fully recognized by UNDP and constituted an essential feature of the new arrangements adopted for the fifth cycle. UNDP intended to review all nationally executed projects operational on 1 January 1992 so as to ensure that provision for technical support services had been made. Those services would be financed typically from the new financial facility for technical support services at the project level (TSS-2) established as part of the new support cost arrangements.

88. Projects approved for execution by the five agencies, including UNIDO, which were subject to the new regime of support costs as of October 1992 amounted to $660 million against fifth cycle resources. That compared with a target of $500 million established earlier by the Governing Council to be met by 1 January 1992. As he had indicated, that target had been established in order to provide a period of transition during which the old arrangements would continue to apply. By mutual agreement between UNDP and the agencies the application of the new arrangements had been made fully effective from 1 July 1992 only.

89. As originally envisaged, the flow of support cost resources from UNDP to the agencies during the biennium 1992-1993 was expected to approximate that for the previous biennium. Reimbursements from UNDP to the agencies would include: (a) support cost, at the rate of 13 per cent of project expenditure, in respect of projects approved under the old arrangement; (b) an amount of $25 million already committed for technical support services at the programme level (TSS-1) for the period 1992-1993; and (c) an amount of $25 million allocated for TSS-2. Reimbursements for administrative and operational services in respect of projects approved for implementation by the agencies should also be taken into account.

90. Overall, approval of new projects for execution by the agencies had declined progressively during the fourth cycle and the decline was expected to continue in the fifth cycle, to 31 per cent in 1995 as a percentage of all new approvals and to $225 million in 1994 in absolute terms. That decline should be seen in the light of the significant increases in national execution which he had mentioned. To a limited extent, reimbursements to agencies in respect of TSS-1 and TSS-2 services would replace the reduction in income from implementation.

91. UNDP, in collaboration with the agencies concerned, had undertaken an extensive series of training workshops to familiarize field practitioners in the application of the new support cost mechanisms and the underlying policy framwork approved by the Governing Council. The full programme of training, consisting of over 15 subregional workshops, was expected to be completed by the end of the year.

92. In conclusion, the arrangements agreed upon for the implementation of the new execution modalities were being implemented as foreseen and the renewed tripartite partnership should be fully operational in 1993.

93. Mr. WOTAVA (Austria) asked the representative of UNDP why the support cost successor arrangements had been implemented somewhat late by UNDP.

94. Mr. FRANÇAIS (United Nations Development Programme) replied that UNDP did not feel that to have been the case. It believed that the difficulties which some agencies were experiencing were connected with the fact that UNDP's resources in the fifth cycle would be lower than expected, as a result of which it had lowered its programming target for that period. The fact that the share of projects subject to national execution had been increasing steadily was also relevant.

The meeting rose at 1 p.m.

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Tenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 3 November 1992, at 3 p.m.

President: Mr. CLARK (United Kingdom)
later: Mrs. MACHADO QUINTELLA (Brazil)

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The meeting was called to order at 3.25 p.m.

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS (continued) (IDB.10/8, IDB.10/10, IDB.10/15)

MOBILIZATION OF FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT (continued) (IDB.10/20)

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (continued) (IDB.10/20)

1. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), replying to questions raised in the debate, said, with regard to agenda item 7, that the design methods and appraisal tools currently applied by the Organization were designed for grant-aid projects, for example those financed from IPF (indicative planning figure) resources and the Industrial Development Fund (IDF) and by any other bilateral or multilateral aid agency. The statistics presented indicated that a substantial number of projects undertaken under the trust fund mechanism had conformed to the overall quality concept. It was not the case, as one representative had suggested, that only six projects conformed to quality standards. As document IDB.10/15 indicated, 68 per cent of the 50 projects for which appraisal memoranda had been issued conformed to quality standards, meaning that 34 projects met those standards. Furthermore, of the 47 projects for which appraisal memoranda had not been issued, 31 had never been approved or implemented. The remaining 16 consisted of 10 projects financed by third parties (the Governments of China, France, Japan, Norway and Russia) and six self-financing trust fund projects in Brazil, the Democratic People's Republic of Korea, the Libyan Arab Jamahiriya, Nigeria and Malaysia. For those 16 projects, the views and comments of the Programme and Project Appraisal Section had been incorporated by the Industrial Cooperation and Management Services Branch into the final project document to the extent possible and acceptable to the donors. In some cases, the UNIDO project format had not been acceptable to the donors, and some of the projects pre-dated the guidelines approved by the last General Conference session.

2. Trust fund projects were a new activity; the Organization had been learning through experience over the past years and the Secretariat was convinced that the statistics for those projects would progressively look even more favourable.

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3. With regard to the need to adapt appraisal methods referred to in paragraph 5 of document IDB.10/15, most self-financing trust fund projects focused on the provision of goods and services to individual factories (in both the public and the private sectors) in developing countries, with the general aim of improving their performance, capacity utilization and overall viability. UNIDO carried out such activities only with the support of the Governments of the developing countries concerned. In such projects the linkage of the factories' objectives to Governments' development goals was sometimes not obvious, and to that extent the appraisal tools needed to be adapted. In accordance with General Conference decision GC.4/Dec.11, UNIDO was testing objective-oriented project planning, and the tests carried out in the current year had revealed a need for the design methods and tools to be further adapted in the case of some self-financing trust fund projects.

4. With regard to the comments made concerning paragraphs 6 and 7 of the Director-General's bulletin (UNIDO/DG/B.73/Rev.1), those two paragraphs must be read in conjunction. Not only was the Area Programmes Division fully informed of any projects being developed; those projects were developed in consultation with the Area Programmes Division and with the relevant branches and sections of the Department of Industrial Operations and the Department for Industrial Promotion, Consultations and Technology.

5. Document IDB.10/15 was in response to General Conference resolution GC.4/Res.28 and was a report on the implementation of that resolution. All the points contained in the resolution had been covered in that document, including the revision of the Director-General's bulletin with a view to a complete and updated comprehensive and transparent regulatory framework. It was not clear in what way the document was not in line with the Director-General's bulletin UNIDO/DG/B.18/Rev.1. Bulletin UNIDO/DG/B.73/Rev.1 had in fact been drawn up after the Programme and Budget Committee had taken note of bulletin UNIDO/DG/B.18/Rev.1 and every care had been taken to ensure compatibility between the bulletins. The section on procedures in bulletin UNIDO/DG/B.18/Rev.1 was of direct relevance and had been elaborated in bulletin UNIDO/DG/B.73/Rev.1, which set out the administrative mechanism and procedures for the development, appraisal, approval and implementation of special trust fund projects. Regarding legal and financial issues, there were appropriate cross-references in bulletin UNIDO/DG/B.73/Rev.1.

6. Apart from measures to ensure operational flexibility so that UNIDO could respond effectively and speedily to the needs of industrial enterprises in the developing countries, no attempt had been made to give special treatment to trust fund projects. Such projects were in fact subject to stringent controls prior to their approval by the financial and legal services and the Programme and Project Appraisal Section.

7. With regard to items 8 and 9, the Secretariat had noted with interest the favourable comments on UNIDO's activities in those two important fields. Since the topics had first been introduced, good progress had been achieved in a number of areas, including the IPS programme. The IPS network undoubtedly constituted one of the Organization's comparative advantages and could be further used in efforts to link technical assistance projects and investment-related activities. African investment promotion institutions had recently held a meeting in Zimbabwe to share their national experiences and explore possibilities for linking their work to the IPS network. Other important activities included pre-investment and feasibility studies, which were leading to successful investment projects.

8. In the area of cooperation with regional development banks, activities with the European Bank for Reconstruction and Development (EBRD) and the Inter-American Investment Corporation were examples of the direction in which the Organization was moving. As regards the programme approach - i.e., the linking of technical assistance, investment orientation, investment promotion and policy advice - UNIDO would continue to develop that tool further and was in close contact with UNDP to ensure that it was developed in the right direction. Attention would be paid to strengthening activities for the Industrial Development Decade for Africa (IDDA), in particular in the preparation of the budget for the biennium 1994-1995.

9. It should be emphasized that the mobilization of financial resources and the external debt were fully taken into consideration in UNIDO's programme.

10. Mr. MACHIN (United Kingdom), speaking on behalf of the European Community and its member States, said that the Community had recently discussed the delays in implementation of the new successor arrangements, was very concerned about the matter and would take appropriate action in New York to help solve the problem. While there were valid reasons for some of the delays referred to by the UNDP representative, all possible steps needed to be taken to introduce the scheme without delay, since the situation was becoming critical both for UNIDO and for other agencies.

11. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) expressed appreciation for the action proposed by the European Community, which was needed since the approval rate in the current year had fallen drastically and projected income for the operational budget from UNDP was correspondingly low.

12. Mr. WOTAVA (Austria) said that his delegation considered the rate of implementation of the successor arrangements to be slow. He fully shared the opinion of the United Kingdom delegation that the matter had to be taken up in New York. Although his own delegation had initially not been enthusiastic about the support cost arrangements, now that a decision had been taken implementation must proceed far more quickly, or the specialized agencies would suffer considerably.

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (IDB.10/24)

13. Mr. SIAZON (Director-General), introducing the item, said that, having already spoken on the topic in his introductory statement to the Board, he merely wished to recapitulate the decisions being proposed, which had undergone slight amendment. Essentially they were that the Roethlisberger decision should no longer be operative, that UNIDO should have three departments and that the next Director-General, in consultation with the Board, would negotiate the

apportionment of the departments and the number of deputy directors-general that the Organization would have, and would determine the divisions, branches and sections within those departments.

14. Mr. KELLAND (Observer for Denmark), speaking on behalf of the Nordic countries, said that they felt that the question of the organizational and staff structure of UNIDO should not be discussed in detail at the current meeting and that a number of the relevant decisions should be postponed until the new Director-General had been appointed. The new Director-General must be allowed to make a significant impact on the new structure. However, the overall framework for a new structure should be the subject of a recommendation by the Board at the current session.

15. In view of developments over the previous eight years, the relevance of the Roethlisberger agreement was increasingly called into question. The size of UNIDO's operations did not justify more than one deputy director-general and the current number of five was considerably harming the Organization's image. The correspondingly excessive number of departments had led to fragmentation of UNIDO Headquarters, with detrimental effects on efficiency and effectiveness. In the opinion of the Nordic countries, no circumstances could be foreseen that would justify a structure comprising more than three departments.

16. Mr. WOTAVA (Austria) said that his delegation regarded the restructuring of the Organization as one of the central issues of the current meeting, as it had been at many previous meetings, the problem having originated in 1985 when UNIDO had become an independent agency and had been burdened with an unmanageable structure and a top-heavy leadership. With regard to the departmental arrangement of the Organization, he felt that a three-tier construction would be the most appropriate; that would provide for the functions of policy planning and advice and the operational element of UNIDO's work, while also furnishing the necessary administrative support. The proposal contained in document IDB.10/24 appeared very reasonable in its basic orientation. Ideally, an organization of UNIDO's size and nature should have one Director-General and one deputy director-general, the latter empowered to give full support to the head of the Organization and represent him in his absence. Most other comparable international organizations survived with a slim top management. Support in the management of the Organization should be provided by the introduction of assistant directors-general, each of whom could head one department.

17. In his view, the minimum that could realistically be achieved was a reduction in the number of departments to three and a revision of the Roethlisberger agreement (decision IDB.1/Dec.11), thereby providing the new Director-General with a better starting-point from which to tackle the necessary reorganization of UNIDO. There might be arguments for further postponing a decision, but the Organization continued to suffer while the current situation continued and, in any case, the Board had been given a mandate by the last General Conference session.

18. Mr. GUO Xianzhi (China) said that his delegation had carefully read the Director-General's report on the item and wished to express its appreciation to the Secretariat for the efforts it had made to restructure the Organization. It believed that the changes that had occurred in recent years in the internal and external environment and the difficulties facing UNIDO necessitated a timely reform of the Organization's structure in order that it could fulfil its tasks effectively. His delegation had no objections to the proposal for a three-department structure.

19. Ms. OK (Turkey) said that she believed that a new compromise was needed to reduce the number of deputy directors-general to three or to one. However, a sound organizational structure depended on a sound staff structure if it was to operate efficiently. It was therefore necessary to attempt to identify the present and future role of UNIDO, taking into account the expectations of Member States including new Members, in order to determine how the Organization should adjust itself to new needs and changing circumstances. A comprehensive study along those lines would indicate the type of staffing UNIDO required; that might lead to the elimination of some departments and the strengthening of others. Some staff retraining would probably prove necessary.

20. The demand for UNIDO services in technical cooperation delivery and project approval had significantly increased over the last four years. Consequently, the restructuring of the Organization should aim at strengthening its technical thrust in an increasingly competitive environment. A further important principle was to ensure organizational simplicity and a clearer delineation of responsibilities.

21. Mr. MAÇHIN (United Kingdom), associated himself with the views expressed by the representatives of Denmark and Austria. His Government had long believed that there was a strong case for reducing UNIDO's structure to a three-department structure by the earliest possible date. There had been years of delay and missed opportunities, although few were happy with the present ossified state of UNIDO's structure, which had resulted in a loss of efficiency and effectiveness and a waste of valuable resources. The money contributed by Member States had financed and continued to finance a departmental structure which was over-bureaucratic. For an organization the size of UNIDO, five deputy directors-general were clearly too many.

22. The Director-General's proposals were a step in the right direction and, although the United Kingdom still believed that one or a maximum of two deputy directors-general would be adequate, it remained open to other suggestions. Clearly it would be premature to try to take the issue to a conclusion at the present meeting, given the strong body of opinion supporting the postponement of any action until the question of the new Director-General had been settled. In that respect, it was critically important that the new incumbent should have a free hand to institute structural reform and reorganization upon taking office. He therefore wished to propose a simple change that would avoid the kind of arguments that had taken place in the past. It seemed clear that the Fleischhauer agreement and the Roethlisberger decision had now outlived their usefulness, so all the Board needed to do was to set a term to their validity. He therefore proposed that it should consider recommending to the General Conference that the Roethlisberger decision in particular should have no further force after 31 December 1993.

23. Mr. von KOPPENFELS (Germany) said that his delegation was convinced that continued observance of the Roethlisberger decision had become a major obstacle to the enhancement of UNIDO's efficiency. The number of departments should be reduced to three at most in order to put an end to the present fragmentation. Fewer departments, each with a professional manager at its head, the delegation of responsibility and accountability to lower levels, effective coordination among operational units and avoidance of duplication would improve UNIDO's efficiency and make for greater impact on industrial development in the developing countries. Those reforms would help to give UNIDO the image it needed to attract additional funds for its operations. In conclusion, he associated himself with the remarks made by the representatives of other European Community member States.

24. Mr. TALIANI (Italy), after associating himself with the remarks made by the representatives of the United Kingdom and Germany, said that the Roethlisberger decision and the Fleischhauer agreement were out of date and highly detrimental to the functioning of UNIDO. He would not go into the details of the new organizational structure proposed by the Director-General, since they were matters that should be taken up by Governments in cooperation with the next Director-General. He understood that the United Kingdom delegation was preparing a draft decision on the matter and looked forward to supporting it.

25. Mr. MA'AJI (Nigeria) fully endorsed the goals of the proposed reorganization of UNIDO, namely clarity, simplicity, increased technical cooperation and a greater country focus. Nigeria's belief that the Organization should adjust itself to the new tripartite system of cooperation between UNIDO, UNDP and recipient Governments had been reinforced by recent developments in the United Nations system. Against that background, his country had long supported the Director-General's proposal for three clusters of organizational units: policy, administration and operation, which incorporated the principles of efficiency and effectiveness without sacrificing UNIDO's basic goals.

26. Any new structure should be built around UNIDO's priority activities. Accordingly, technical cooperation should continue to be the focus of the structure, with other activities geared towards supporting it. Given the paramount importance of the country focus, all technical cooperation activities should be managed by the Area Programmes Division, which would ensure continuity and accountability in any particular country, subregion or region. In addition, programme development and management, industrial resource mobilization and industrial support operations should be put together in a single department. He therefore welcomed the integration of field representation and cooperation in the Area Programmes Division, which would reinforce the country focus. Indeed, it might be useful to place all the regional and interregional advisers within the same framework.

27. He was opposed to retaining the present number of deputy directors-general and believed that the case for limiting their number to three was most persuasive. The primary consideration should be that all officials of the Organization, at whatever level, should earn their keep. Whatever the final decision, his delegation reiterated its very strongly held position that the principle of equitable geographical representation should be applied, as far as possible, at all levels within the Organization, particularly in respect of the most senior positions. He felt confident that particular account would be taken of the needs of the African countries and hoped that they would always be given an opportunity to propose candidates for any vacant posts.

28. Mr. SKRIPKA (Russian Federation) considered that the question of a new organizational structure for UNIDO raised not just political issues but ethical ones at a time when a new Director-General was to be appointed. He could not agree with the statement in paragraph 11 of document IDB.10/24 that the key political issue requiring resolution was the number of deputy directors-general and the allocation of departments to them. That ran counter to the views of many Member States as well as to the opinion of the Special Advisory Group to the Director-General recorded in paragraph 8 of annex II to the document in question. He also considered that there were insufficient grounds for the statement in paragraph 15 that it had become apparent during the fourth session that Member States might accept an organizational structure with three departments, each headed by a deputy director-general. Many Member States had in fact opposed any change to the principle of equitable geographical distribution, while others had called for a study of UNIDO's place and role in the new world situation before any changes were made to its structure. However, he was in favour of continuing the consultations on ways of improving UNIDO's organizational structure, which should be carried out with the active participation of the new Director-General.

29. Mr. SAENZ DE TEJADA (Spain) said that his country firmly believed that the structure of UNIDO was in urgent need of reform at all levels, so that the Organization could carry out its tasks effectively. Knowing the difficulty of such a process due to the fears of some of losing influence or representation, Spain had always shown great flexibility in the matter. Thus, although it felt that UNIDO could manage with only one deputy director-general, it had supported a proposal for two deputy directors-general and three assistant directors-general and was now prepared to consider the present proposal for three deputy directors-general. Any solution that might ultimately be adopted would have to take into account such factors as the poor financial situation, which seemed to have become chronic, and the Organization's future responsibilities. Before the question of a new structure for UNIDO could be settled, it was essential to resolve the problem of appointing a new Director-General as a matter of urgency.

30. Mr. MARTIN (United States of America) said that UNIDO clearly needed greater organizational flexibility in order to carry out its mission in a rapidly changing environment. For that purpose, the Roethlisberger decision must be rescinded in order to reduce the number of departments and deputy directors-general, and new priorities must be set in terms of UNIDO's mission. At the same time, the programmes furthest removed from the production and delivery of technical assistance should be eliminated or severely cut back. In preparing the proposed budget for 1994-1995, UNIDO's managers should reduce expenditure by approximately 10 per cent in comparison with the

previous biennium. In so doing, they should be guided by the ranking of the six programme instruments presented in document PBC.8/18.

31. In that connection, he drew attention to the statement of the staff of UNIDO in document IDB.10/36, which proposed certain crisis measures such as "restrictive travel", especially for those who were simply "waving the flag" o UNIDO. In his view, it would seem appropriate for UNIDO to apply a "travel freeze" and to adopt procedures more stringent than those of the United Nations for per diem payments.

32. Mr. CHO (Republic of Korea) said that, given the emerging challenges on the world scene and the rapidly changing needs of Member States, reform of UNIDO's organizational and staff structure was both essential and urgent. The purpose of the reform should be to achieve organizational simplicity, strengthen the Organization's capacity and technical expertise, and enhance the quality of services. However, despite the general understanding of the need for change, the Board was still far from a consensus on the matter. He sincerely hoped that agreement would be reached as soon as possible, in a spirit of compromise, so that UNIDO could respond to the rapidly changing needs of the developing countries with enhanced operational efficiency and organizational performance. In that regard, he commended the continuing efforts of the Director-General and believed that his revised proposal for a three-department and three deputy director-general structure could be regarded as a starting point for further deliberations.

33. Mr. BALAKRISHNAN (India) considered that a decision on the restructuring of UNIDO should be deferred until a new Director-General had been appointed. It was important that the new incumbent should be closely associated with the deliberations of the Board on the matter so that he might have a clear understanding of the wishes of Member States.

34. He noted that a structure with three deputy directors-general had been proposed, which would make it necessary to re-examine the question of geographical balance among high-level posts and to evolve a new consensus taking into account the interests of the various groups concerned. Furthermore, certain functional problems should be clarified. It would seem, for instance, that under the proposed new structure there could be a danger of overloading the deputy directors-general with responsibilities. It was not clear whether they would be able to deal effectively with all the matters entrusted to them. Effective supervision could only be exercised over a reasonable span of activities and widening that span might prove counterproductive. In that connection, it might be useful to study the organizational structures of other United Nations agencies that were comparable with UNIDO.

35. Mr. TANAKA (Japan) said that there seemed to be agreement on the need to restructure UNIDO so that it could meet the emerging needs of developing countries in the field of industrial development. Japan had long supported proposals aimed at such reforms, to which it believed the Fleischhauer agreement and the Roethlisberger decision were the main obstacles. They should therefore be reviewed. In his view, the Director-General's proposal for a three-department structure with three deputy directors-general deserved the widest possible support.

36. Mr. SIAZON (Director-General) said that he should perhaps make it clear that his proposal for the restructuring of UNIDO was not contained in annexes I or II to his report (IDB.10/24), but in paragraph 18. Essentially, the proposal was that the Roethlisberger-Fleischhauer decisions should be revoked, that the Conference should decide to establish a three-department structure with three deputy directors-general and that it should be left to the Board to continue consideration of the long-term reform of the UNIDO structure in the context of system-wide reforms. As he had indicated many times, while he had some sympathy for equitable geographical representation at the top of the Organization, he believed that the main preoccupation of Member States should be the efficiency and effectiveness of UNIDO. At a time when the United Nations was undergoing major reform, UNIDO, which had been considering the matter since 1985, should now take a decision on the general principles; then, after a new Director-General was elected, he would have the opportunity of deciding on the finer aspects of the restructuring exercise in consultation with the Board.

37. In his view, the time had come to set aside regional or subregional interests for the common good of the whole membership. Difficult times called for difficult decisions, and they should be taken now.

PROGRESS REPORT FOR 1992 ON SPECIFIC UNIDO ACTIVITIES (IDB.10/18 and Add.1)

38. The PRESIDENT pointed out that under item 3 the Director-General was submitting progress reports on some programmes and activities which were not the subject of a specific agenda item but on which either the General Conference or the Board had expressed the wish to see a report. Thus information provided in the 1991 annual report had been updated for activities relating to the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, the development of human resources, and the UNIDO energy programme.

39. Mr. MACHIN (United Kingdom), speaking on behalf of the European Community and its member States on the subject of UNIDO's energy programme, said that UNIDO should take account of energy-related issues in all its activities, such issues being an integral part of any economically, socially and environmentally sustainable industrial development programme. He noted from the report that, during a period of less than four months, UNIDO had carried out numerous, technically varied activities touching on several aspects of energy-related assistance. He had been particularly interested in the account of projects undertaken at the specific request of the Governments concerned. It was gratifying to note that UNIDO's energy programme had recently developed a more pragmatic approach with the necessary flexibility that allowed energy-related considerations to be taken into account at an early stage in the preparation of programmes and industrial projects.

40. He welcomed the adoption, on a project-by-project approach, of technological changes aimed at the most economical supply and optimal use of energy, with the marketability of the product as the ultimate goal. In that connection, he urged UNIDO to maintain and further increase its endeavours in inter-agency cooperation, since operational links with other

organizations were becoming more and more necessary.

41. He had been interested to learn of the paper "Energy in the 21st century: New challenges and goals" prepared by UNIDO in cooperation with the International Atomic Energy Agency, the International Institute for Applied Systems Analysis and the Organization of Petroleum-Exporting Countries for presentation to the next World Energy Council conference in Madrid; he would be grateful if the Director-General could make it available in Vienna.

42. Ms. MAMBULE (Uganda) said that her Government recognized the paramount importance of human resource development for the economic and industrial development of nations, whose economies could not be transformed until an indigenous class of industrialists and entrepreneurs emerged. In that connection, she stressed UNIDO's leading role in promoting industrial development through strengthening management and accelerating the acquisition of scientific and technological know-how. She therefore requested the Director-General to continue to emphasize human resource development in all UNIDO's activities. Moreover, the integration of women in industrial development should be accorded high priority in human resource development strategies. The Industrial Human Resource Development Branch should be strengthened and given full support in its work.

43. The UNIDO Country Director (UCD) programme also had a very important role to play in human resource development. Uganda welcomed the recent appointment of a UCD and trusted that the post would be maintained for several years. In conclusion, she appealed to Member States to provide new or further voluntary contributions to the UCD programme in order to enable UNIDO to maintain the current number of UCDs.

44. Mr. PAREDES (Peru) said that it was clear from document IDB.10/18 that definite progress had been made in the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean. Its projects should be implemented in such a way as to promote the overall objectives of industrial development in the region. The document showed that the Secretariat had taken into account some of the key points which had emerged from the consultations held with the region; for example, subcontracting exchanges had been established in 13 countries, and the subcontracting programme was being extended to Central America and the Caribbean. He expressed his gratitude to the donor countries whose contributions had permitted the implementation of the industrial subcontracting and capital goods projects. He appealed to all potential donors to assist in the launching of other programmes that would enhance industrial development in the region, for instance in the field of agro-industry and biotechnology, as well as projects covering training, software and new materials.

45. The success of the Regional Programme would be ensured if an effective mechanism for communication was established between the Secretariat and donor and recipient countries in order to monitor the development of the different projects and find the necessary funding for such projects. The various national and regional organizations concerned should be involved in the process and due account taken of the specific conditions and requirements of the different economies.

46. Mrs. MARRERO (Cuba) said that the agenda item under discussion was of particular interest to her delegation, which was grateful to the Secretariat for the information provided in document IDB.10/18 on activities carried out in compliance with General Conference resolution GC.4/Res.6.

47. However, she was concerned that the mechanisms for cooperation between UNIDO and regional organizations like the Latin American Economic System (SELA) might not have functioned in connection with the First Regional Forum on Industrialization. The General Conference, in decision GC.4/Res.6, had called for coordination between UNIDO and SELA. At its session at Caracas in September 1992 the Council of SELA had adopted a decision establishing the organization's work programme for 1992-1993 in which reference was made to UNIDO's tasks in coordinating activities for the First Regional Forum on Industrialization. She would be grateful for information on what had been done in that regard.

48. The information provided in document IDB.10/18/Add.1 on the energy programme was extremely interesting to her delegation in view of the importance to the developing countries of the activities described. However, in referring to cooperation among organizations, the document made no mention of possible cooperation between UNIDO's energy programme and the Latin American organizations working in the same field. If no cooperation agreements existed, it would be appropriate to establish them.

49. Her delegation supported UNIDO's work on the development of human resources and all endeavours to strengthen the relevant programmes.

50. Ms. OK (Turkey) said that Turkey recognized the crucial importance of human resource development in industry and welcomed the approach taken in the draft medium-term plan. She considered that human resource development should continue to be accorded priority.

51. Her Government was making every effort to strengthen its own training capacities and providing training to other developing countries. She recalled the cooperation that had been taking place between UNIDO and Turkey in the area since 1979. The wide range of training programmes carried out by Turkey benefited the least developed and African countries above all. Staff trained in Turkey represented nearly 8 per cent of the total number of participants in the different UNIDO training activities. Turkey was not only the host country with the highest number of programmes organized by UNIDO, but also the country with the largest number of group training fellows per year.

52. Following the break-up of the Soviet Union, Turkey had established bilateral and multilateral cooperation with the member States of the Commonwealth of Independent States. The areas for cooperation identified included human resource development and training in food processing, cotton and textiles, and the construction industry. Turkey was concentrating its technical assistance on the new republics in Central Asia.

53. The Turkish Government had established several operational units to provide technical assistance to the developing and least developed countries, with the emphasis on exchange of technical know-how and experience. Recently, a technical cooperation development agency had been

set up within the Ministry of Foreign Affairs, staffed with qualified experts who were to coordinate and prepare assistance projects for such countries.

54. Mrs. Machado Quintella (Brazil) took the Chair.

55. Mr. HOSSEIN-ZADEH (Islamic Republic of Iran) said that his delegation, while recognizing the overall improvement in project delivery by UNIDO in 1991, shared the concern of other Member States regarding the 20 per cent drop in project approvals in the second year of the biennium. He sought clarification from the Secretariat in that regard.

56. As to human resource development and the transfer of new technologies, although he appreciated the organization of training courses and workshops by UNIDO in the developed countries, he considered that some of the developing countries might host study tours, fellowships or other training activities which would benefit developing countries.

57. The Islamic Republic of Iran had constantly supported and contributed to UNIDO's programmes in the area of economic and technical cooperation among developing countries (ECDC/TCDC) and had organized several training courses, workshops and conferences. For instance, two international conferences on rubber technology had been held in Iran, as a result of which a regional rubber engineering and research centre would be established in Teheran.

58. Referring to the Sixth Meeting of the Ministers of Industry and Technology of ESCAP, held in April that year, he said that through the implementation of the Teheran Declaration, and with the assistance of the UNIDO/ESCAP division, cooperation in the Asian region would be greatly enhanced and the exchange of experience and expertise greatly facilitated. A focal point for coordination of ECDC/TCDC activities had been set up in Teheran, which focused in particular on West Asian countries.

59. Since training in state-of-the-art and intermediate technologies played an important role in enhancing the industrial development of developing countries, and in particular the newly independent republics of the former Soviet Union, his delegation had expected UNIDO to allocate greater funds for that purpose and was disappointed at the decrease of approximately 25 per cent under that heading in the 1991 budget.

60. His country had strengthened its links with the Central Asian republics through the signing of numerous memoranda of understanding and agreements relating to industry, the economy and culture. The new republics had joined the Economic Cooperation Organization (ECO) and it was hoped that the scope of ECO activities in the region could be expanded under the ECDC/TCDC mandate.

61. Lastly, he suggested that, in order to make up the current financial shortfall, UNIDO should seek the assistance of agencies such as the ILO International Training Centre so as to upgrade the skills of experts and trainers in the developing countries. The latter, in turn, should increase their voluntary contributions for the implementation of training programmes and host more training programmes in their countries, in cooperation with UNIDO.

62. Mr. FONTES BRAGA (Brazil), referring to the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, said that the programme for the capital goods sector in Latin America should be accorded priority, since it was of particular importance to the region. However, it had encountered some difficulties recently, due in particular to dwindling contributions from donor countries. He was aware that since June 1992 the Programme had been geared towards offering maximum technical support to the participating countries, using the financing resources available. Moreover, UNIDO had conducted research into the strategies adopted by Latin American entrepreneurs when upgrading their businesses to cope with foreign competition.

63. Clearly, the Regional Cooperation Programme could not bring about the complete modernization of all Latin American industries, but was intended to provide high-quality technical assistance which would enhance the process and sustain modernization. The main benefits of regional industrial development would be job creation and a higher standard of living for the population as a whole. He therefore hoped that donor countries would support UNIDO's efforts in connection with the Programme, particularly since the modernization and development of Latin American industry would promote the exchange of goods and technologies at the international level. Lastly, industrial development would help to slow down the current trend towards migration throughout the world.

64. He appreciated the Secretariat's progress reports, but stressed the need for the countries concerned to be kept up to date on the progress of the Programme. He hoped that other programmes under consideration for Latin America would be provided with adequate funding, as soon as possible, in order to ensure their speedy implementation.

65. As to the industrial subcontracting programme, he expressed his satisfaction with the results achieved so far. The importance of the programme was borne out by the request for its extension to Central America and the Caribbean, which he hoped would meet with success. It could not be denied that the programme had furthered intraregional industrial cooperation.

66. With regard to the development of human resources, he expressed his appreciation of UNIDO's efforts in the area, particularly in the developing countries. None the less, he stressed the need for unflagging efforts in order to avoid any overlapping in training activities. He also underlined the importance of enhancing ECDC/TCDC in human resource development activities and welcomed efforts being made in that regard. Priority should be given to South-South cooperation, bearing in mind the technological capacities of some developing countries in certain areas.

67. He was in favour of all programmes and projects encouraging the greater participation of women in the industrial development of their countries. The greater integration of women in the production process would help to eliminate social discrimination, thereby contributing to development as a whole. UNIDO had a significant role to play in that area. As to managerial training, cooperation between UNIDO and other organizations should be encouraged. The

industrial component of the training package to be developed by ILO would include UNIDO's technical experience in the areas of industrial management, quality management and industrial competitiveness. UNIDO's activities in the field of energy should be coordinated with other agencies in order to avoid any duplication of effort.

68. Mr. BYKOV (Russian Federation) welcomed the comprehensive approach adopted by UNIDO in its Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean both with regard to the actual cooperation as well as the solutions found for the funding of programmes and projects. He also welcomed UNIDO's initiative in establishing contacts with the Inter-American Development Bank to facilitate the implementation of the industrial subcontracting programme and investment promotion in the region. He also noted with satisfaction progress made in the field of human resource development. However, when implementing such programmes, it was important to take into account the link between human resource development and the transfer of modern technology as well as economic and technical cooperation between developing countries. Another point worthy of note was UNIDO's efforts, in spite of dwindling resources, to broaden the scope of activities under the programme. It should be borne in mind that not only the needs of developing countries for the training of qualified personnel had to be taken into account, but also UNIDO's actual capacity to satisfy those requirements. He considered the information manual prepared by UNIDO on the training of qualified staff for industry particularly useful and would endorse any proposal to expand the content of that guide.

69. The UNIDO energy programme reflected the comments made at the ninth session of the Board as well as the recommendations of UNCED concerning the ecological aspects of the energy programme. He would support UNIDO's efforts to establish closer cooperation with other international organizations concerned with energy and the protection of the environment. In that connection, he noted that efforts to implement the UNIDO energy programme were being hindered by lack of resources. He hoped that programmes similar to those being implemented in the African countries would be developed for Eastern Europe, as they would undoubtedly have a positive effect on the economic development of those countries.

70. In conclusion, he welcomed UNIDO's participation in the preparation of the report "Energy in the 21st century: New challenges and goals", in cooperation with other organizations, and endorsed the request that the report should be made available to the members of the Board.

71. Mr. SZIVOS (Hungary), referring to activities relating to the transfer of new and advanced technologies, informed members that the tenth course on biomedical equipment maintenance and repair had been held that year in Budapest. The Hungarian-UNIDO National Committee had been working on a new concept which focused on the maintenance and repair of highly sophisticated and computer-controlled medical equipment. Suitable training documents would be prepared which could be used in other training centres. The course itself would be launched in 1994. Regarding the transfer of advanced technologies, he said that a special three-week training course on food quality inspection and control would be launched in the autumn of 1993.

72. UNIDO's efforts in connection with the new energy programme were greatly appreciated. It was both timely and essential for UNIDO to include energy efficiency and its environmental implications in the programme, in keeping with the UNCED recommendations. In conclusion, he said that, although he recognized the importance of the results described in the progress report for 1992, the fact that only projects of secondary importance had been carried out in 1992 should not be overlooked.

73. Mr. FADLALLA (Sudan) welcomed UNIDO's energy programme and hoped that it would be maintained. It was of paramount importance above all to the least developed countries, which had particular problems relating to infrastructure and equipment. Action was clearly required by UNIDO, which should assist such countries in making the best possible use of available sources of energy as well as identifying new sources. Progress made in the area would ultimately benefit agriculture, agro-industry and the food-processing industry. In conclusion, he appealed for new donors to the programme.

74. Mr. BALAKRISHNAN (India) thanked the Secretariat for the progress report for 1992 on specific UNIDO activities (IDB.10/18). His delegation welcomed the Secretariat's efforts to focus greater attention on certain aspects of human resource development as mandated by the fourth session of the General Conference, despite financial constraints. However, should it be necessary to define priorities in the face of diminishing financial resources, his delegation suggested that the highest priority be given to activities relevant to the transfer of new and high technologies which could improve productivity and utilize capital, energy and natural resources more efficiently, while safeguarding the environment.

75. In his delegation's view, the Secretariat had correctly identified its role in managerial training after consultations with other organizations of the United Nations family. It was appropriate that UNIDO should coordinate its activities with ILO in setting up a network of managerial training institutions in Member States. His delegation also suggested that UNIDO's guide to training opportunities for industrial development should be updated at regular intervals and, if possible, expanded.

76. He thanked the Director-General for the report on UNIDO's energy programme (IDB.10/18/Add.1). His Government was keenly interested in a feasibility study for establishing a lignite mining and power generation facility, as mentioned in paragraph 8 of the document, and requested UNIDO to continue its efforts to develop the project and secure funding for it.

77. His Government also attached high priority to promoting new and renewable energy resources and welcomed UNIDO's efforts to establish an international network for the exchange of information on such resources. His Government hoped that the network would enable developing

countries to make full use of technology, plant and machinery for exploiting non-polluting energy resources based on solar energy, biomass and hydrogen. Another important area which was receiving increasing attention in India was energy auditing, particularly of industrial enterprises. Such activities could result in a substantial reduction of energy consumption and in the identification of highly cost-effective energy efficiency improvement measures. It would also be useful if information on such measures could be shared among different countries on a sectoral basis.

78. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), replying to questions on human resource development, said that the Secretariat had noted with interest the positive reaction to the human resource development programme. Human resource development was a priority area of the medium-term plan and would receive great attention. A number of programmes were being carried out by various Secretariat units.

79. The Secretariat had noted the point made by the representative of the Islamic Republic of Iran that more training courses should be carried out in developing countries and the fact that Iran had set up a training centre on rubber technologies. As the representative of Turkey had pointed out, similar activities had been carried out for many years in her country and UNIDO was certainly interested in organizing programmes in the developing countries as well. The Secretariat had noted with appreciation the offers to hold training courses.

80. Turning to the Regional Cooperation Programme for Latin America and the Caribbean, he said that the First Regional Forum on Industrialization was tentatively scheduled for mid-1993. The Forum was covered by a recently signed agreement, and the Regional and Country Studies Branch had just completed the first outline of a UNIDO study on industrialization for Latin America which would be presented at the Forum. Work was thus well under way in that regard.

81. He had noted the comments of the representative of Brazil on the industrial subcontracting programme. The matter would be followed up.

82. Mr. de MARIA y CAMPOS (Deputy Director-General, Department of Industrial Operations) took note of the interest expressed during the discussions. Human resource development was clearly a high priority for all Member States and was considered a strategic factor in industrial development by UNIDO and other international organizations. Both developed and developing countries could play an important role in training and in diffusing their experience to countries that had not yet reached the same level of development.

83. Unfortunately, the funds hitherto available in UNIDO were not adequate to carry out the goals assigned to it. From the comments made it was obviously important to ensure that the necessary funds were made available in future. So far, most of the resources had come from the regular budget and, to a limited extent, the operational budget. Under the new UNDP successor arrangements, the training component would fortunately be given importance, although the arrangements were not yet clear. Through the Industrial Development Fund many countries were making available resources for human resource development. Nevertheless, in future it was hoped that the Organization's capabilities would be strengthened to allow it to cope with the demands of a more globalized world where privatization and environmental and energy issues required new skills and capabilities from UNIDO in order to assist countries to industrialize in a better way. A big effort was needed to establish new structures and to learn from other organizations and from new approaches now available from modern communications media, in order to satisfy the needs of the least developed countries, especially in Africa, and of small and medium enterprises.

84. As to the questions raised in the debate, the Secretariat would do its best to use the experience offered to it, existing cooperation with other organizations, especially UNESCO, ILO and regional bodies, would certainly be reinforced.

85. Mrs. TCHEKNAVORIAN-ASENBAUER (Director, Industrial Operations Technology Division), replying to comments on the energy programme, said she was grateful for the useful points made.

86. In accordance with the request made by several representatives, the paper entitled "Energy in the 21st century: New challenges and goals", prepared by UNIDO in cooperation with other organizations, would be made available to delegations.

87. Replying to the representative of Cuba, she said that UNIDO had participated in a meeting in Venezuela in March 1992 to discuss energy policies in Latin America. Cooperation on new and renewable energy had already been established with Latin America and would be developed.

88. In reply to the point raised by the representative of Brazil concerning coordination with other agencies, she said that in view of the limited funds available UNIDO was taking such coordination very seriously. It was already cooperating very fully with all the agencies working in energy programmes but would make further efforts to ensure that no overlapping occurred.

89. She thanked the Hungarian representative for the support he had expressed. Despite limited funds, UNIDO had in-house capability to identify the requirements of developing countries and had been successful in finding additional financing. In a short period, programmes had been developed for 14 African countries, with major contributions from several donor countries. A detailed document on energy requirements for Africa would be available at the end of the month.

90. She assured the representative of Sudan that due attention would be given to the least developed countries. UNIDO was developing a programme on new and renewable energy sources and biomass which would be of particular significance to agriculture.

91. In reply to the representative of India, she said that UNIDO had already carried out a programme aimed at reducing the sulphur content in coal in hydropower stations, and, with respect to lignite and new and renewable sources of energy, in order to respond to the Asian energy problems

and development, especially in new and renewable sources of energy, it would develop a network along the lines of the network for safe use of pesticides in Asia.

92. Mr. Clark (United Kingdom) resumed the Chair.

UNIDO ENVIRONMENT PROGRAMME (IDB.10/17, IDB.10/32)

93. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) said that the Board had three environment-related documents before it at its tenth session. The first document was the revised draft medium-term plan (IDB.10/5), which had been prepared before the United Nations Conference on Environment and Development and which included a summary presentation of the environment and energy programme area, which was one of the Organization's priority areas.

94. The second document was entitled "Updated UNIDO environment programme" (IDB.10/17). The General Conference, in resolution GC.4/Res.18, had invited the Secretariat to provide an update of the UNIDO environment programme, taking into account the results of UNCED and of the UNIDO Conference on Ecologically Sustainable Industrial Development (ESID) and the views expressed by the Conference. The content of each of the four subprogrammes of the programme had been reviewed, improved and strengthened. The specific roles of Governments, industry and the international community had been highlighted, as well as the importance of cleaner production and pollution prevention. The role of international environmental agreements related to industry had also been stressed throughout, particularly in regard to the solution of global environmental problems such as ozone depletion, acid precipitation and global warming.

95. The third document (IDB.10/32) was the Organization's statement of intent regarding the international and system-wide follow-up to UNCED. Given the importance of Agenda 21 for development assistance generally and UNIDO's programmes specifically, the Secretariat had decided to prepare an additional document for presentation to the Board.

96. The enormous scope of Agenda 21 called for a careful re-examination of the roles and responsibilities of the agencies of the United Nations system. UNIDO could play a key role in the implementation of major programme areas and chapters of Agenda 21, ranging from integrating environment and development in decision-making and protecting the atmosphere to the sound management of biotechnology, strengthening the role of women, capacity-building and the transfer of technology.

97. In responding to Agenda 21, UNIDO would increasingly analyse the role of business and industry with a view to advocating either the short-term or the long-term profitability of environmental protection through the use of clean or energy-efficient technology and energy conservation in industry. UNIDO would build on its prior experience of pollution prevention through product and process improvement, including plant modernization and rehabilitation. Business and industry in developing countries would be assisted in adopting processes and procedures that reduced demand on resources by industry and generated industrial waste. Transfer of technology, technical cooperation, dissemination of information and demonstration of activities all played important roles in helping developing countries develop industry in an environmentally sound way. Through a variety of programmes and projects, UNIDO would foster the reduction of industrial waste in the production process. The investment promotion activities of UNIDO would play a major role in helping enterprises in developing countries find the financing required for diversification of their products and services into environment-related areas.

98. UNIDO's environment-related activities were increasing significantly. Both IDF contributions and trust fund agreements aimed at promoting ecologically sustainable industrial development had shown a marked increase. On the multilateral front, UNIDO had made its entry into the Global Environment Facility (GEF) with a $5.6 million project in Africa on water pollution control and biological diversity in the Gulf of Guinea. UNIDO had also just signed an agreement with the Interim Multilateral Fund for the Implementation of the Montreal Protocol, to become its fourth executing agency. In another area, UNIDO was launching efforts to focus its expertise on helping to develop the Basel Convention on the Control of the Transboundary Movement of Hazardous Wastes and Their Disposal, which had just entered into force, into a useful tool to manage hazardous waste and toxic substances. The Organization's diverse capabilities and programmes would support the implementation of that Convention.

99. Despite UNIDO's efforts to delineate its role in Agenda 21, the Organization had not been included as a member of the "Core Group" of the Administrative Committee on Coordination's mechanism for system-wide coordination and follow-up to UNCED. The "Core Group" would work in close cooperation with the proposed Commission for Sustainable Development, the intergovernmental body whose creation was under discussion at the General Assembly that week.

100. UNCED had put the global community firmly on the road to sustainable development. UNIDO had the proven capacity to do its share. Development in general, and industrial development in particular, could not be sustained in the long term if the environmental perspectives were ignored. That reality must be addressed in an ongoing policy dialogue with Governments, with others in the United Nations system and with the private sector.

101. Mrs. WIIG (Norway), speaking on behalf of the Nordic countries - Denmark, Finland, Sweden and Norway - said that the political leaders of the world had used the opportunity of UNCED to commit themselves to a new partnership for sustainable development. Their decisions and recommendations had also committed the Member States and Secretariat of UNIDO to continue the process initiated at UNCED by transforming their vision into concrete action within the mandate of the Organization.

102. A basis for that demanding task already existed in UNIDO. The environment programme had been adopted by the General Conference in 1989 and had been implemented and discussed since. The 1991 ESID Conference in Copenhagen had led to the

formulation of UNIDO's input to Agenda 21 and the Organization's contributions to the preparations for UNCED.

103. The Nordic countries were pleased to see UNIDO's timely and swift response to the challenge of UNCED, which was a good start. However, much more needed to be done within UNIDO. Agenda 21 provided a long-term framework and guidance for priorities in the programmes of the international agencies. She hoped that the discussion would give clear guidance to the Organization in its efforts to establish a strategy for ecologically sustainable industrial development.

104. Commenting on the documents before the Board, she said that subprogramme I in the UNIDO environment programme (IDB.10/17) was now well under way, with an important training and awareness-raising programme being implemented. The results of that programme were beginning to appear in the form of special environment programmes and projects now being launched. The Nordic countries appreciated that step as a start, but emphasized that those concerns must be integrated as a matter of course into all programmes and projects formulated in UNIDO.

105. Environmental concerns should not be regarded as just one of many specialties within industrial development at large. The ESID and UNCED deliberations had demonstrated the importance of ensuring environmentally sound development. In that context, the Nordic delegations had been surprised to see that the note by the Secretary-General of the United Nations for the current session of the General Assembly on industrial development cooperation and the diversification and modification of productive activities of developing countries (A/47/535), which they assumed to be based on inputs from UNIDO, contained no reference to environmental issues. She asked for clarification on that point.

106. As the staff gained more knowledge and experience in such matters, the Nordic delegations expected UNIDO to expand further into the substantive subprogrammes of the Environment Programme. Subprogrammes II and III addressed vital concerns, particularly in developing countries. UNIDO had a role to play in cooperation with other relevant United Nations bodies, especially as the centre of excellence in the field of industry. That role included advisory functions at the policy level, training and institution-building, information, demonstration and transfer of cleaner technology processes.

107. UNIDO had an important part to play in implementing Agenda 21. The Nordic countries complimented the Organization on a thorough and well structured response to the UNCED recommendations in document IDB.10/32. It was of particular importance that UNIDO should concentrate on its own defined role on the multilateral scene and avoid overlapping with other organizations. What was needed was a focused and coherent targeting of efforts, which was all the more important as resources for development were becoming scarce throughout the United Nations system. Without a proper strategy for efficient implementation of programmes, UNIDO might find itself lagging behind in the competition for funds.

108. But efficiency must not be understood purely in financial or volume terms. UNIDO, like other agencies, must now seek justification for its activities based on its contribution to the tasks set out in Agenda 21. The Nordic countries had taken a particular interest in re-examining the mechanisms governing the transfer of multilateral assistance. Because the multilateral agencies depended heavily on overheads levied as a percentage of funds transferred, they were volume-focused. There should be far more focus on quality and sustainability; only that could in the long run increase the volume of activities. A thorough evaluation of the sustainability of activities was important, and lessons learned should be fed back into the organizations.

The meeting rose at 6.10 p.m.

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Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 4 November 1992, at 10.30 a.m.

President: Mr. BALAZS (Hungary)

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The meeting was called to order at 11 a.m.

ACTIONS TO BE TAKEN BY THE INDUSTRIAL DEVELOPMENT BOARD FOLLOWING THE RESIGNATION OF THE DIRECTOR-GENERAL (continued)

1. The PRESIDENT, reporting on the informal consultations, said that two rounds of open-ended consultations had taken place. Bearing in mind that it had been known since 1 September 1992 that the Director-General's post would fall vacant at the beginning of March 1993, the Board should deal with the matter promptly in order to minimize uncertainty as to how the vacancy would be filled. There seemed to be a consensus regarding the dual objective of finding the best candidate for the post of Director-General and doing so in the shortest possible time. Member States needed a period in which to submit nominations and a further period in which to consider them; time-limits should be set for both those steps, as preliminaries to the convening of a resumed session of the Board and of a special session of the General Conference. He suggested that informal consultations with open-ended participation should continue with a view to the drafting of a consensus text for a decision by the Board.

2. It was so agreed.

UNIDO ENVIRONMENT PROGRAMME (continued)
(IDB.10/17, IDB.10/32)

3. Mr. TAUFIK HABIBIE (Indonesia), speaking on behalf of the Asian Group of States, said that UNIDO's environment programme was of paramount importance to those States. They welcomed the holding of the Conference on Ecologically Sustainable Industrial Development in 1991 and the results of the recent United Nations Conference on Environment and Development. The latter had confirmed their belief that the issues of environment and development were inseparable and should be addressed in common. In pursuing environmentally sound and sustainable development, the developing countries would need new and adequate financial resources and access to the appropriate technology. The Asian States welcomed the idea of establishing a commission on sustainable development within the framework of the United Nations Economic and Social Council as a means of monitoring the implementation of agreed policies on environment and development and of ensuring that the action called for by Agenda 21 became a reality.

4. The present global deterioration of the environment stemmed essentially from wasteful production and consumption in industrialized countries. The developing countries were firmly committed to the preservation of natural resources, but needed to pursue policies that would alleviate poverty and promote environmentally sound and sustainable development. The world's environmental problems could best be dealt with through multilateral cooperation based on mutual benefit and shared responsibility, in a way that reconciled the interests of both groups of countries.

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5. A country that could increase its wealth was one that could help the pursuit of sustainable development. It ought therefore to be a major objective of international cooperation that the developing countries should be enabled to achieve self-sustained growth as rapidly as possible, for example by being allowed to obtain better prices for the commodities extracted from their natural resources and to add value to those commodities by processing them before export. The Asian States shared the view that a balance must be maintained between the conservation of resources and their use in industry. They endorsed the programme objectives of UNIDO described in the Director-General's updated UNIDO environment programme (IDB.10/17), and in particular subprogrammes II and III.

6. Mr. NEGRU (Romania) said that growing concern throughout the world about damage done to the environment had led the international community to encourage Governments to adopt policies which would ensure a better environment for future generations. The United Nations Conference on Environment and Development (UNCED) had undoubtedly been the main achievement in that process. It had benefited from a significant contribution from UNIDO in the form of the results of the Conference on Ecologically Sustainable Industrial Development. The principal documents adopted by UNCED, especially Agenda 21, were an extremely important guide for future UNIDO activities. Eastern European countries were particularly aware of the adverse effects on the environment of the rapid industrial development which had characterized earlier decades. In Romania, for example, huge metallurgical, chemical and petrochemical complexes had produced severe pollution, which had seriously affected the health of the inhabitants of densely populated areas.

7. During the previous year UNIDO had been involved in various environment-related projects concerning Romania. The Romanian environment had also been assessed by teams of international experts, whose findings were contained in a World Bank document, which incorporated an action plan. Among other things, the plan called for training and legislation that would help the country to improve its environment. In view of those recommendations and the pressing needs of Romanian industry, UNIDO's assistance would be valuable for his country in the following areas: training Romanian specialists in the preparation of environmental impact assessment and environmental audits and, in collaboration with the United Nations Environment Programme (UNEP), in the methodology of environmental impact studies; providing access, through UNIDO and UNEP, to environment-related databases, especially in regard to chemical and petrochemical industries; providing access to new energy-saving technologies for destroying highly toxic wastes, as well as mobilizing financial resources for their introduction; and increasing the number of biotechnologies employed in Romania in fields such as food technology and the chemical industry. Projects in those areas involving the joint financial support of UNIDO and other interested organizations and economic operators would contribute significantly to restructuring Romanian industry and thereby improving the environment.

8. Mr. HELLER (Mexico) said that the environment programme of UNIDO described in the two documents before the Board (IDB.10/17, IDB.10/32) was interesting but did not fall entirely within the Organization's mandate; it was also well beyond UNIDO's technical and financial capacity. As presented to the Board, the division of UNIDO's environmental activities into a programme proper and a response to Agenda 21 made for confusion and conflicted with the invitation to the Director-General in General Conference resolution GC.4/18 to produce a consolidated programme. The action proposed in the updated programme (IDB.10/17) would dissipate the Organization's resources and raise doubts about the viability of international cooperation as a means of solving environmental problems in the manner recommended by the United Nations Conference on Environment and Development (UNCED). Both documents purported to endorse the results achieved by the Conference on Ecologically Sustainable Industrial Development, but in fact neither clearly reflected the Conference's conclusions and recommendations, which were alleged to be covered by chapter 30 of Agenda 21.

9. The document on UNIDO's response to Agenda 21 (IDB.10/32) could be regarded as a good exercise in comparing some chapters of the Agenda with the activities of UNIDO. It indicated the way in which UNIDO might expand into areas that were not at present within its mandate. The means by which it proposed to contribute to the execution of Agenda 21 could, however, provide no more than marginal support, except in regard to operational activities and investment promotion, and would in any case be limited by the availability of resources.

10. A key element in UNIDO's participation in the follow-up of UNCED should be effective cooperation with other international organizations. Close attention should be paid to the decisions taken by the United Nations General Assembly at its forty-seventh session. No attempt should be made to enter fields which were outside UNIDO's terms of reference or which were already the subject of specific projects, such as human settlements, participation of women, biotechnology and protection of the oceans. In no event should Agenda 21 be taken as justification for UNIDO to broaden programmes or recruit staff, particularly in its present financial circumstances. The updated programme proposed four subprogrammes, which could hardly be undertaken simultaneously, since UNIDO lacked staff qualified to deal with the environment. In any case, UNCED had entrusted to the United Nations Development Programme much of the work that UNIDO was proposing to do.

11. The content of the documents placed before the Board on the item under discussion made it clear that the Organization's policy-making organs should identify priorities for the environment programme with a view to ensuring the development of projects that would achieve practical results. His delegation proposed that the Secretariat should reformulate its environment strategy and submit a consolidated environment programme to the General Conference at its fifth session. UNIDO's present work on the environment should be financed from additional financial resources provided for the purpose by Member States.

12. Ms. MARRERO (Cuba), stating her delegation's view that document IDB.10/32 offered a good initial basis for UNIDO's participation in Agenda 21, said it was essential at the present IDB session to endorse the position that the Organization's entire work in industrialization, development and environment should be permanently set in the policy framework of the Rio Declaration.

As far as the financial aspects of those activities were concerned, UNIDO would have to press for additional resources in the form of donations or concessional lending, as a prerequisite for enabling the developing countries to fulfil their commitments under Agenda 21. As the Rio Conference had itself stated, it was vitally important that those countries participate in the programme. The Organization could be sure of her country's support for its work in the environmental field.

13. Mr. CHEN Shiqiu (China), noting that the updated environment programme gave full consideration to urgent environmental problems relating to industry in the developing countries, commended UNIDO's past work in the environment field and its contribution to the Rio Conference of June 1992.

14. With changes in global social and economic activities, environmental issues had increasingly become a matter of concern to all, since industrial pollution was an important factor in deterioration of the environment. In its promotion of industrialization in the developing countries, UNIDO should make a constant effort to solve the environmental problems, but, at the same time, it should recognize the limits to its ability to handle such a complex global issue. The Organization should therefore focus on areas where it enjoyed a particular advantage in order to solve specific problems related to the industrialization of developing countries. At the present stage, UNIDO should select certain clean technologies that would reduce pollution and help to transfer them to the developing countries. The Secretariat should also strengthen consultation, coordination and cooperation on environmental issues with other international organizations, particularly UNDP.

15. Mr. WOTAVA (Austria), welcoming the increasing importance attached to environmental protection by UNIDO, said that it represented a specific challenge for the Organization since industrialization was often the biggest source of pollution and a major threat to sustainable development. UNIDO would therefore have to define its policy, which should be to facilitate the establishment of clean industries able to respond efficiently to the scarcity of natural resources.

16. Austria believed in the positive role industry had to play in achieving sustainable development, particularly in the light of the close relationship between poverty and environmental degradation. The Conference on Ecologically Sustainable Industrial Development (ESID) had been a good starting point for the Organization's work in that area. UNIDO ought to be enabled to take part in the work of the future United Nations Commission on Sustainable Development, as a reflection of its key role in the global process of securing such development.

17. In view of the Organization's tight financial situation, his delegation saw the need for coordination both within UNIDO, to cover environmentally important issues at all levels of activity, and with those United Nations bodies which were involved in the UNCED follow-up process. To facilitate the most efficient use of scarce resources, UNIDO should focus on areas where it had a specific advantage.

18. Mr. MACHIN (United Kingdom), speaking on behalf of the member States of the European Community, associated himself with the remarks made by the representative of Norway on behalf of the Nordic countries.

19. Expressing the view that UNIDO's environment programme was on the right track and that the two documents under consideration provided a good basis for the follow-up to Agenda 21, he nevertheless stressed the importance of a coordinated approach to environmental issues throughout the United Nations system so as to ensure complementarity and avoid duplication. An ACC Task Force under Mr. Saouma had been examining how all United Nations agencies should respond to Agenda 21. In view of UNIDO's mandate, and since the work of the Task Force might well have a bearing on UNIDO's future efforts in that field, he emphasized the need for UNIDO to be fully involved in activities of that nature. It could also have a key role to play in a number of activities supported by the Interim Multilateral Fund under the Montreal Protocol and the Global Environment Facility. He welcomed the Organization's efforts to become an executing agency of the Montreal Protocol and, in particular, the news that it was shortly to sign the Protocol.

20. He agreed that the Organization should commit itself to sustainable industrial development and considered that the four proposed subprogrammes were perfectly in line with that aim. He would encourage it to increase its efforts for ecologically sustainable industrial development, taking special account of the close relationship between energy and environmental protection. UNIDO should ensure that the environmental impact was fully covered in all its programmes and projects. He would welcome more concrete information on the proposed subprogramme activities.

21. Mr. STARSHINOV (Russian Federation), commending the updated UNIDO environment programme, expressed the wish that the introduction of ecologically sustainable industrial technologies should be given no less, and perhaps more, priority than the identification of such technologies.

22. The fact that a number of the principles governing UNIDO's environment work had been used in the conclusions and recommendations of the UNCED Conference, with a marked effect on Agenda 21, reflected recognition of UNIDO's accumulated experience in ecologically sustainable industrial development (ESID). The Organization's proposed environment programme was a more extensive one than it had undertaken previously. Subprogramme II - on integrating environmental considerations into developing countries' industrial development strategies and policies - would require particularly close coordination with UNEP and other bodies in the United Nations system, in order to avoid overlapping and wastage of resources. It would clearly be necessary to expand the role of the Environment Coordination Unit set up in UNIDO in 1990.

23. In view of the multidisciplinary nature of the problems relating to ESID, their solution as a rule required a comprehensive approach and hence the involvement of a wide range of participants and close coordination of their work, not only at the sectoral or cross-sectoral level, but often on the scale of an entire country or group of countries. UNIDO's activity in that area must naturally take account of the interests of as many Member States as possible and stimulate greater cooperation among them. The Organization should make the broadest possible use of its experience

of technical cooperation among developing countries through regional projects. That approach also seemed preferable from the angle of mobilizing and optimizing the utilization of both financial and human resources. In addition, it would provide a natural basis for broader involvement of the industrially developed countries in the implementation of ESID. In that regard, closer cooperation was to be recommended with the United Nations Economic Commission for Europe, which had recently intensified its environmental protection activity in Europe. The adoption of agreed programmes by UNIDO and ECE would be of immediate relevance for the many countries with economies in transition and for individual subregions.

24. For the successful implementation of UNIDO's environment programme, substantial additional financial resources would clearly be required. The Organization therefore needed to step up its efforts to identify multilateral sources of financing, including the private sector, donor funds, special contributions and the like. It would be appropriate, in particular, to define the mechanism for utilization of the resources at present in the hands of the Global Ecological Fund and to determine whether UNIDO could in fact rely on being able to draw upon part of the Fund's resources for the implementation of programmes and projects connected with ESID.

25. The World Bank, UNDP, UNEP and the Global Ecological Fund should make more active use of UNIDO's capacity for technical assistance in environmental protection. It was to be regretted that the Organization had not been invited to join the ACC Task Force on Environment and Development set up by the Secretary-General of the United Nations to direct the establishment of organizational machinery after UNCED.

26. Since a number of United Nations specialized agencies, including UNIDO, possessed extensive experience and long-term programmes in the fields in question, his delegation hoped that resources for the implementation of Agenda 21 would be channelled primarily through those agencies, particularly resources supplied by funding institutions or mechanisms within the United Nations system.

27. Of special importance in the implementation of the ESID programme would be the exchange of information among participants. UNIDO could make a considerable contribution to the process by constantly updating and expanding the database in that area and improving the mechanisms for conveying the information to users.

28. In conclusion, he expressed support for UNIDO's intention to become the fourth executing agency of the Montreal Protocol and to play its active part in the Commission on Sustainable Development to be set up by the Economic and Social Council.

29. Mrs. PETTER (Switzerland) said that the United Nations Conference on Environment and Development, one of the major political events of the year, had made it clear that in future all development had to be sustainable, and hence had to allow for the ecological aspect. As a concept affecting a number of different sectors, sustainable development required an innovative and multisectoral approach. The activities of the entire United Nations system would therefore have to be better coordinated in order to avoid duplication and ensure that all areas concerned were properly covered. To achieve an effective division of labour, account needed to be taken of the mandates of subsidiary bodies and of the specialized agencies, with an eye to any specific advantages each of them might possess.

30. Her country was somewhat surprised to note that UNIDO had so far scarcely been mentioned in connection with the follow-up to UNCED.

31. The Organization possessed specific experience and considerable know-how in that area, as was clear from document IDB.10/32, and hence should be included on a long-term basis in activities relating to the implementation of Agenda 21.

32. Mr. ARASTOU (Islamic Republic of Iran) stressed that the protection of the environment was undoubtedly one of the crucial problems facing humanity. With the rapid growth of industry in the developing countries in particular, coupled with disregard for ecological issues, the world was faced with an unprecedented situation, in which it either had to take action or face certain tragedy. It was fortunate, however, that public awareness of environmental matters and industrial pollution had greatly increased in recent years. That had, indeed, prompted the convening of the United Nations Conference on Environment and Development (UNCED) and the Conference on Ecologically Sustainable Industrial Development (ESID). UNIDO and all its Member States should join in implementing UNCED's Agenda 21 for the sake of greater human happiness.

33. His Government had invariably given top priority to its environmental protection programmes, having experienced the bitter consequences of environmental pollution due to an eight-year war forced on it, which had been followed by the Gulf conflict. Suitable laws and regulations had been enacted in Iran for environmental protection and sustainable industrial development. Several centres had been established to pursue those aims in the leather, chemical and other processing industries, and Iran had been in contact with the World Bank in connection with investment in clean technologies. experts from the Bank had conducted a survey of the country's industrial situation and the Bank was to grant credit facilities to Iranian enterprises, particularly those that had recently been privatized. That process was proceeding apace and private enterprises were seeking start-up capital from the World Bank or other international financial institutions. With regard to joint ventures, foreign-based companies could enter into partnership with their Iranian counterparts and invest up to 100 per cent of the required capital, particularly in the Ghishim Industrial Free Zone. Safety of investment and repatriation of profits would be guaranteed by the Iranian Government.

34. As to investment relations with UNIDO, Iran planned to set up an Industrial Promotion Service in cooperation with UNIDO in Teheran. The Director of UNIDO's Industrial Investment Service in Paris had recently visited Iran and conducted a study of the investment potential offered by the country. Following submission of his report to UNIDO, an IPS office would be established in Teheran.

The meeting rose at noon.

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United Nations Industrial Development Organization

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Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 4 November 1992, at 3 p.m.

President: Mr. CLARK (United Kingdom)
later: Mr. EL-HUSSEIN (Sudan)

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The meeting was called to order at 3.10 p.m.

UNIDO ENVIRONMENT PROGRAMME (continued)
(IDB.10/17, IDB.10/32)

1. Mr. TREMEAU (France), after endorsing the remarks made by the United Kingdom representative on behalf of the European Community, said that his country had taken an active part in the United Nations Conference on Environment and Development (UNCED) at Rio de Janeiro and attached great importance to the following up of its recommendations.

2. His delegation had therefore taken note with great interest of documents IDB.10/17 and IDB.10/32. The former document was clear and full and corresponded to the conclusions reached at the UNIDO Conference on Ecologically Sustainable Industrial Development (ESID) at Copenhagen.

3. Document IDB.10/32 dealt with UNIDO's possibilities of becoming involved in the various programme areas of Agenda 21. It would be advisable, in view of the Organization's limited financial resources and the need to avoid any dispersion, for UNIDO to restrict itself to the three major areas under Agenda 21, namely protection of the atmosphere, protection of water resources and the sound management of wastes.

4. His delegation would be grateful to the Secretariat for information on the role of the Environment Coordination Unit set up within UNIDO in 1990, and on the projects that had already been formulated or were in course of formulation.

5. His delegation believed that UNIDO had many possibilities to respond to Member States' expectations in the environment area, including technology promotion, investment promotion and training. It hoped that those possibilities would be used in particular for the benefit of small-scale and medium-scale industry, and that at all times the Organization would endeavour to coordinate its activities with those of other Organizations, in particular with the Industry and Environment Office of the United Nations Environment Programme (UNEP).

6. Mr. SZABO (Hungary) said that his delegation was grateful to the Government of Denmark for having convened the UNIDO Conference on Ecologically Sustainable Industrial Development, and welcomed the fact that UNIDO had initiated many activities that incorporated the tenets of ESID to an increasing extent.

7. His Government welcomed the establishment by the Director-General of an interdepartmental Task Force on Environment, but to implement its very ambitious programme UNIDO had to find the

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necessary resources and staff, a point that should be taken into consideration in formulating the new priorities.

8. UNIDO should increase its cooperation with international organizations including UNDP, UNEP and the World Bank.

9. In order to halt the deterioration of the environment, efforts should be concentrated on prevention. Environmental considerations must be given priority both in the rehabilitation of industry and in new investment projects through the introduction of new technologies. Foreign investors bore a great responsibility when ecologically non-sustainable technologies were used in joint ventures.

10. The majority of the economies in transition had embarked on the privatization process. The methods of evaluating assets in those countries were new, and even the foremost foreign consulting companies had no clear idea of how to take the environment into account. The Hungarian State Property Agency had decreed that when the assets were evaluated the environment must also be taken into account, and that the resources required to eliminate environmental damage must be determined. Funds must be allocated from privatization revenues to cover the cost of restoring the environment. His delegation believed that UNIDO should include that issue in its environment programme. It would also be useful if a special guidance programme on the environment, perhaps computerized, could be formulated on the lines of the very useful feasibility studies and COMFAR.

11. Mr. BALAKRISHNAN (India) welcomed the documents submitted. His delegation had noted that UNIDO had focused its attention on the promotion of ecologically sustainable industrial development and had integrated the relevant aspects of Agenda 21 into its environment programme. That programme was of considerable importance and an area that would grow.

12. Given the limited financial resources available, his delegation suggested that UNIDO should attach the highest priority to technical cooperation activities for pollution abatement. That would mean helping developing countries to obtain technology and financial resources for reducing pollution from already existing industries and industries under construction. A second area of high priority should be the promotion of cleaner production techniques through new technology, enabling cleaner production processes to be integrated at the planning stage. That was particularly important in the context of future plans for rapid industrial growth in developing countries where the introduction of cleaner production technology would be much cheaper and easier at the planning stage. His delegation suggested that the Secretariat should focus attention on those two goals and build up the necessary technical capacity to carry out the task in question. UNIDO should also embark on an aggressive fund-raising campaign for its environment programme. Industry was being perceived as hostile to the environment by many sections of the public and information on how industry could be made environment-friendly deserved the widest possible dissemination.

13. Mrs. BECKER (United States of America) congratulated UNIDO on strengthening its environmental programmes, despite limited resources, within the guidelines recommended by the Conference on Ecologically Sustainable Industrial Development.

14. UNIDO could play an important role in implementing Agenda 21, in particular chapter 19 concerning the environmentally sound management of toxic chemicals. Agenda 21 had endorsed the principle of the community's right to know about chemicals stored or routinely released and had called upon appropriate international organizations to develop guidelines for countries wishing to establish community right-to-know programmes. It had also encouraged industry to adopt such programmes in the absence of host country requirements.

15. The Administrator of the United States Environment Protection Agency had identified community right-to-know as a high priority for his country. It was a highly innovative and effective approach to risk reduction and pollution prevention. By making chemical risk information available to communities, a public accountability mechanism for facilities producing or using chemicals was created, which encouraged the reduction of chemical stockpiles and toxic emissions. Some key elements of the United States community right-to-know programme included local emergency planning, accidental release reporting, stockpile inventories and toxic release inventories. The United States Government wished to encourage Governments, with the cooperation of international organizations such as UNIDO, to consider adopting similar programmes in order to help in reducing risks.

16. On the issue of cleaner production, UNIDO's proposed programme of work was useful but might be too ambitious. For example, in identifying industrial subsectors, it might be prudent to identify two major industries to begin with and then to expand to others as experience with the programme increased. Metal-finishing and metallurgical industries and pulp and paper would be appropriate choices because of the significant work done in clean technologies for those sectors.

17. Her delegation felt that subprogramme III should emphasize cooperation between UNIDO, UNEP and other international organizations, perhaps including OECD - with the cooperation of industry. Concerted efforts by all parties concerned would be needed if the objectives were to be met. The environment did not have to compete with support for technical assistance: if clean technologies were encouraged through a technical assistance programme, the goals of development and environmental protection could be attained simultaneously.

18. On the issue of women's participation in environmental protection, her delegation would encourage UNIDO to utilize women at all levels of its programme activities and to encourage national Governments to include women in national ecosystem management.

19. Ms. OK (Turkey) said that the Rio Declaration of the United Nations Conference on Environment and Development had laid particular stress on the employment-generating aspects of industry and the correlation between poverty and environmental

degradation. While recognizing the positive role of industry in promoting sustainable development, the Conference had indicated that environment and development could not be considered separately but were complementary aspects. Her Government supported that view.

20. She agreed with those speakers who had called for a set of priorities to be drawn up by UNIDO in the environment area. To be effective, UNIDO must concentrate on certain aspects of the subject and avoid duplication of work done by other organizations, including UNEP.

21. Because of its geographical situation, Turkey was much affected by toxic chemicals and industrial discharges, particularly in the Black Sea and the Bosphorus, and it also had problems of air pollution.

22. The Government of Turkey considered environmental problems a priority and had designated a State minister whose task was to reduce duplication and ensure cooperation with all the relevant international institutions.

23. Mr. MOON (Republic of Korea) considered that the accumulated experience and expertise of UNIDO in assisting the industrialization of developing countries should be utilized in helping the transfer of environmentally sound and clean technologies from developed to developing countries.

24. Active participation of UNIDO in implementing Agenda 21 should be supported by Member States.

25. Mr. ALELE OPIO (Preferential Trade Area for Eastern and Southern African States (PTA)) said that PTA consisted of 18 countries which had been beset over the last few years by natural and man-made disasters.

26. The member States of PTA had prepared an action plan for the subregion with the assistance of the Commonwealth Secretariat, as an input to UNCED. They were pleased to see from document IDB.10/32 that UNIDO had responded to Agenda 21. They hoped that their relationship with UNIDO would spearhead industrial development in their subregion, which was the least industrialized in the world.

27. PTA had noted that UNIDO had defined its role in line with PTA's own action plan and looked forward to assistance from UNIDO in its environment programme, particularly in the selection of clean technology for the industrialization process.

28. He appealed to the industrialized countries that had reaffirmed their intention of increasing their contribution of 0.7 per cent of their GDP to fulfil that pledge.

29. The PRESIDENT said that the Secretariat would reply to questions raised on the present agenda item and on items 5 and 10 at a later stage.

SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES (IDB.10/12)

30. Mr. BEHRENS (Deputy Director-General, Department for Project and Programme Development) said that, guided by General Conference decision GC.4/Res.5, the Secretariat had initiated efforts to elaborate the Special Programme for Industrial Development in the Arab Countries and to undertake various activities to promote regional industrial cooperation and meet the needs of the least developed Arab countries. In cooperation with regional organizations, UNIDO had convened an inter-agency meeting in February 1992 in which a number of organizations and representatives of Arab missions to UNIDO had taken part. The main outcome of the meeting had been the formulation of a plan of action for 1992-1993 under which a number of industrial projects had been identified for development and implementation. The priorities of the Special Programme for Industrial Development in the Arab Countries had been further elaborated to address the development of human resources, standardization and quality control, development of technological capacities, marketing of industrial products, promotion of industrial information systems and agro-industries.

31. Despite the problems arising from the crisis on the Persian Gulf, the Secretariat had been able to make good progress in approving and implementing 10 projects in the current year in various fields as described in the report before the Board (IDB.10/12). Some 15 pipeline projects had been also identified for possible approval and implementation in the future. Among them, three major projects, concerning the preparation of a manual for quality control in selected branches for industry, the identification of productivity problems and a programme on the status of the sugar industry in the Arab region, were at an advanced stage and would be discussed at the next meeting of the collaborating organizations to be held at Cairo that month. The meeting would also review past experience in cooperation between the organizations and elaborate a common plan for the mobilization of financial resources.

32. Clear-cut commitments on the part of the Arab regional organizations would be extremely important for UNIDO's efforts to promote and expand industrial activities under the Special Programme. In view of the scarcity of UNIDO's resources, more initiatives had to be taken with a view to attracting regional and international donors to contribute to those activities. It was hoped that the forthcoming meeting of the collaborating organizations would give special attention to that matter with the aim of securing the resources required.

33. Mr. AZIRIA (Observer for Algeria) said that his delegation, representing an Arab country that had always sought to be an active partner of UNIDO, was very interested in the Special Programme for Industrial Development in the Arab Countries. Despite certain activities described in paragraphs 8-10 of document IDB.10/12, the aims of the Programme had not been met. The sum of $150,000 allocated to the Programme was quite inadequate and would have no real impact if the Organization did not rationalize its expenditures, limiting its activity to expertise and the technical study of projects and avoiding costly meetings held away from Headquarters.

34. His delegation hoped that UNIDO would formulate long-term programmes of action affecting all aspects of industrial activity for which assistance was needed, assume responsibility for

formulating action programmes for the Arab countries and assess the needs of the least developed among those countries.

35. Algeria would also like the allocations for the Programme to be increased so that programmes could be prepared with the aid of all available internal and external expertise and submitted to the governmental authorities that would take a decision on their financing.

36. His delegation wished to stress once again the importance it attached to the resumption and intensification of UNIDO activities to help the Palestinian people in the occupied territories.

37. Mr. MAJID (Iraq), speaking on behalf of the Asian Group, expressed appreciation for the Director-General's progress report on the Special Programme for Industrial Development in the Arab Countries. The Programme was very important in view of the urgent need to intensify efforts to promote industrial development in the Arab countries and to develop their human, industrial and financial resources so as to achieve appropriate industrial development, particularly in the least developed Arab countries. He urged the Director-General to secure the necessary funds, in addition to allocations from the regular budget, from any other source of finance, in order to speed up implementation of the projects identified. Moreover, he requested the Director-General to strengthen cooperation between UNIDO and the specialized Arab organizations in carrying out the Programme, while giving priority to the least developed of the Arab countries.

38. The inter-agency meeting for the Special Programme for Industrial Development in the Arab Countries held in Vienna in February 1992 had identified the projects and programmes to be implemented and had recommended that special attention be given to the least developed Arab countries. The Asian Group had submitted a programme to that meeting, endorsed by the Group of 77, and it was hoped that UNIDO would also agree to it.

39. Mr. AL-DIN (Syrian Arab Republic) said that his delegation was gratified at the increased cooperation between UNIDO and its Government, which approved all UNIDO's efforts to promote industrialization in the Arab countries, particularly the least developed ones. Nevertheless, it was essential for greater attention to be paid to organizing industrial development in the Arab region by increasing appropriations for the programme. It was particularly important to carry out urgent special programmes to help the Arab people in the occupied territories who were suffering oppression.

40. His Government was satisfied with the increased participation and interest of UNIDO in environmental matters and fully endorsed the decisions of the Rio and Copenhagen Conferences. However, since the countries of the North were responsible for 54 per cent of the pollution in the world, UNIDO should be a magnet for channelling technical and financial assistance of all kinds to the countries of the South.

41. Since 1970 the Syrian Arab Republic had defined its own development choices. Integration between all sectors of production was essential so that full use could be made of resources and the goals of industrial development and a clean environment could be combined. The law set out guidelines on benefits and facilities available to Syrian and foreign investors.

42. The profound changes in the world in the last few years had affected international relations. A new approach was needed, but had not yet been identified, to take the place of the cold war. The Syrian Arab Republic looked forward to greater international cooperation in order to close the gap between North and South by using all the world's resources. In that connection, his delegation wished to put forward some points which it believed to be of particular importance in that process.

43. First, it was necessary to redefine current international economic relations in order to foster greater North-South cooperation, with a view to the achievement of mutual benefits and the eradication of poverty. Secondly, in order for countries of the South to be successful in their development efforts, efforts were needed to reduce protectionism, particularly in the OECD countries. IMF studies had shown that a 50 per cent reduction in national protection would increase developing countries' exports by US$ 50 billion per annum. Thirdly, despite the considerable efforts made and vast expenditure incurred by countries of the South in the 1970s and 1980s to import equipment and machinery from the North, their technology was still in its infancy, and they were in need of technological expertise and know-how. The efforts made by the Arab region to achieve social, economic and industrial progress would not be successful while tension prevailed in the occupied territories. He accordingly urged the international community to bring greater pressure to bear with a view to securing acceptance of United Nations resolutions in the cause of peace.

44. Mr. AL-ERYANI (Observer for Yemen) said that his delegation supported the statement made by the representative of Iraq on behalf of the Asian Group. His delegation had read with care the progress report of the Director-General on the item (IDB.10/12) and appreciated the efforts of the Secretariat to make the Special Programme a success. However, there was a serious shortage of funds and also a lack of agreement on the venues for the workshops included under the Programme. The latter issue had been raised at the meeting of the Arab missions with the programme staff, who had taken note of the observations made. His delegation hoped that the Programme would take due account of those observations in the future. It appealed to UNIDO to exert further efforts to provide funds since the Programme was of great importance to the development of industrial, human and natural resources in the countries of the Arab region, particularly the least developed countries which, it was hoped, would be given special priority.

45. Mr. AL-GHAIS (Kuwait) said that his country supported the Special Programme for Industrial Development in the Arab Countries and wished to pay tribute to the Secretariat for the projects already implemented. The Programme should not be affected by any cuts in the Organization's operational activities, particularly in view of

the very limited funds allocated, i.e. US$ 150,000; it should, on the contrary, be enlarged in the future. He wished to emphasize the need for cooperation between the UNIDO Secretariat and the secretariats of the Arab regional bodies with a view to making the Programme a success. Support from the staff of the UNIDO Secretariat was also important to the Programme's success. He expressed his Government's appreciation to UNIDO for its cooperation in providing experience and conducting the necessary studies in connection with the rebuilding of the industrial sector in Kuwait following its destruction during the seven-month period of occupation, and wished to pay special tribute to the UNIDO mission that had visited Kuwait for that purpose from May to June 1992. The continued cooperation of the Organization and any further assistance in rebuilding the industrial sector and the country as a whole would be appreciated.

46. Mr. SZIVOS (Hungary) said that his Government greatly appreciated the elaboration of the Special Programme for Industrial Development in the Arab Countries. The UNIDO Hungarian National Committee, after evaluating the projects that had been completed under the Special Programme, had decided to extend the offer of a three-week training course in Hungary on food quality control, including food quality assessment, food control, standardization, testing and computerized laboratory management, for 15 persons, funded from the Hungarian voluntary contribution. His Government was also very interested in the establishment of the Arab School of Science and Technology, and particularly in the setting up of a centre for software development, training and marketing, and wished to pursue discussions with a view to being involved in the project's implementation.

47. Mr. EL KOUNY (Egypt) felt that, despite the considerable efforts made by the Secretariat in implementing the Special Programme for Industrial Development in the Arab Countries, further action on the part of UNIDO was required. As had been concluded at the latest meeting on the Programme, the role of UNIDO needed to be enlarged to include an evaluation of progress achieved to date in meeting the needs of the area and linking those needs to resources on an international level. Specific measures to be taken in that regard were an evaluation of the capabilities of the programme, the provision of increased funds for the current biennium, the continuation of dialogue between UNIDO, OPEC and UNDP to promote cooperation among those bodies, with the submission of a report on the results of the studies carried out, and finally utilization of the experience acquired from the Programme to assist in the mobilization of the necessary funds.

EVALUATION OF THE OBJECTIVES AND FUNCTIONS OF UNIDO IN VIEW OF RECENT CHANGES AND DEVELOPMENTS IN THE WORLD (IDB.10/21)

48. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) said that, in accordance with General Conference resolution GC.4/Res.20, the Director-General's report on the item (IDB.10/21) described steps taken to ensure that the activities of UNIDO were consistent with the efforts of developing countries to ensure their active participation in the world economy. The report outlined recent changes and developments in the world, in particular: regional disintegration; the current recession and its structure in Western Europe and North America; new perceptions concerning technological growth, labour productivity and human resource development; the marginalization of the least developed countries; and the demise of central planning and the rise of privatization. It also outlined how concrete action taken in response to those changes was reflected in technical cooperation activities delivered by UNIDO.

49. Mr. BAKHSHI (Pakistan) said that the agenda for the current session was an indication of the importance of the activities of UNIDO. It was encouraging for the developing countries to see that special attention was being paid to the rapid changes taking place in the world economy. The new opportunities presented by the growing international atmosphere of liberalization, mutual cooperation and assistance posed a challenge for UNIDO to devise a viable strategy for development and cooperation aimed at advancing the interests of the Member States. The changing situation compelled the developing countries to look for fresh economic alignments and search for new partners with a view to invigorating and reinforcing their efforts to attain greater and speedier industrial and economic growth. It also offered UNIDO a unique opportunity to assume a more effective role in guiding and assisting the aspirations and efforts of the developing countries. UNIDO should reappraise its priorities, since some areas, such as human resource development, transfer of technology and environmental challenges, had assumed greater importance and urgency.

50. It was essential for the Organization constantly to evaluate important economic events occurring in the world, in order not only to keep abreast of the latest developments but also to formulate an adequate response so that it could play an increasingly effective role. Examples of such events that had taken place since the previous session of the Board were the United Nations Conference on Environment and Development held at Rio de Janeiro, the recently witnessed turmoil involving some of the major currencies of the world, Europe's quest for a single economic and political identity, and the current General Agreement on Tariffs and Trade (GATT) negotiations.

51. His country was witnessing the good work done by UNIDO and its helpful role in generating and sustaining key projects in various industrial fields. Since Pakistan had initiated steps to accelerate its industrialization, he hoped that UNIDO's assistance would keep pace with that process. Realizing the crucial role of the private sector in the process of development, his Government had drastically revised its policy of State management through the introduction of privatization and deregulation and the development of a liberal approach towards local and foreign investment. It also offered many incentives to attract foreign capital, including protection under an Act of Parliament.

52. Mr. RUSINSKI (Observer for Poland) said that the evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world was an important duty of the policy-making organs of the Organization. At the

eighth session of the Programme and Budget Committee, his delegation had expressed doubts regarding the proposal that UNIDO should carry out a study on the structure of world industrialization, since that might not be a very productive use of UNIDO's research capacity. The publication Industry and Development: Global Report 1992/93 (ID/382) contained many conclusions that were controversial and might be considered unfounded. Specifically with regard to Poland, the discussion of the causes of the collapse of the communist economic system, contained in chapter I of the report, was unconvincing. The origins of the profound crisis were doubtless far deeper than the reasons put forward in the report, namely debt crisis, consequent lowering of workers' real wages and ensuing social unrest. The profound restructuring of the entire economic, political and social system currently being implemented in Poland was based on a general rejection of the old system with its widespread inefficiencies, and not due merely to balance-of-payment problems. His delegation also had doubts regarding the interpretation given in the report of the reasons behind the liberalization efforts of the countries in transition, namely that liberalization was seen as an essential condition for attracting foreign direct investment. An additional important consideration, in the case of Poland at least, was the intention to promote competitiveness in the domestic market and to grant economic agents free access to all spheres of economic activity, including foreign trade.

53. In chapter II of the report, it was stated (page 58) that Polish reform had ground to a halt owing to disputes within the Government. His delegation strongly disagreed with that assessment. In December 1989, Poland had been the first country in Eastern Europe to implement "shock therapy". The resulting adjustments had been and still were painful to the Polish population. However, there were now many indications that the approach had paid off. The economic decline would be arrested in the current year and industrial recovery was expected to begin in the following year. The process of privatization was in progress, and transformation of the form of ownership had encompassed nearly 25 per cent of all State enterprises. The private-sector share of gross national product in the coming year would be 50 per cent. A favourable economic environment had been created for foreign investors, who were now offered a variety of opportunities for participating in the privatization of Poland. Indeed, a recent report on investment opportunities in Central and Eastern Europe had placed Poland in the top position. His country was therefore on track with its reform.

54. Mr. KEBEDE (Ethiopia) said that certain politico-economic trends were clearly emerging in many parts of the world, particularly the shift towards democratization and a pluralistic society in many developing countries, especially those of Africa, and the introduction of market economy principles in the countries of Eastern and Central Europe. Trade liberalization, privatization and deregulation had become increasingly important elements in the process of structural adjustment. In the face of the formidable challenge posed by the continued instability and uncertainty of the world industrial economy, there should be no slackening of efforts to seek concrete, realistic solutions to the complex problems of industrial development. The current decade called for more innovative approaches to international cooperation, with a view to creating a broader and more resilient industrial base in the developing countries.

55. His delegation believed that the least developed countries should continue to receive the highest priority consideration in the provision of UNIDO's technical assistance. Developing countries faced a dual challenge: they had to develop their industrial sectors, often from a very low base, and they also had to adjust constantly to rapid advances in technology, changes in world markets and market access, international price structures and other trends and policy factors that affected international comparative advantage. The developing countries also suffered from a serious shortage of qualified manpower in all fields of industry and industrial development.

56. His Government believed that action was called for at different levels in order to advance and contribute to the overall development of the Ethiopian economy, including strategies at the national level, industry-specific policies based on improved needs analysis, strengthened institutional training systems and improved training efforts, and also specific training activities for key managerial and technical personnel. Increased attention needed to be paid to linking human resource development systems with research and development and consultancy activities, and to the effective integration of women in all human resource development activities.

57. His delegation believed that the need and prospects for rehabilitation and modernization were significant, particularly with regard to agro-industries, a key subsector in the industrialization process. As part of the UNIDO programme for small- and medium-scale industries, collaborative endeavours with public and private sector organizations, industry associations and cooperatives, chambers of commerce and industry and development finance institutions needed to be strengthened in order to ensure proper institutional support for those industries. High priority had to be given to the development of direct links with small-scale enterprises and entrepreneurs through appropriate private organizations, so as to enable UNIDO to provide the kind of services that would most benefit the sector as a whole. His delegation appreciated the services provided by regional advisers and UNIDO Country Directors (UCDs), particularly in the execution of large-scale projects such as engineering design centres and technical assistance to industries. Regional advisory services and services performed by UCDs needed to be considerably strengthened in order to provide important inputs to the Industrial Development Decade for Africa (IDDA) programme and the Special Programme for Africa. He welcomed the invitation of the UNDP Governing Council to consider approving an increase in the annual allocation for the UCD programme.

58. In order for UNIDO to fulfil its objectives, it was important to have the financial resources on hand. The only way out of the current financial predicament facing UNIDO was for Member States to pay their assessed contributions

promptly and in full. His delegation wished to call upon the Secretariat to continue to take the necessary measures to keep expenditures in line with expected income.

59. Ms. OK (Turkey) said that during the past year major political and economic changes had emerged throughout the world, in particular a shift towards a democratic pluralistic society and a wider acceptance of market economy principles, changes in the economies of Central and Eastern Europe and in military spending, and the emergence of new States that would become beneficiaries of UNIDO. The endeavours of the newly independent States to effect a rapid transition to a market economy had given rise to urgent demands for assistance, while the reduction of military expenditure offered a prospect of converting military capacities to civilian uses. Those trends called for enlightened measures to strengthen the system of global interdependence.

60. The chief requirement for the economic success of the new States, as of the developing countries in general, was greater access to markets, technology and finance. In addition, technological skills and managerial and entrepreneurial capabilities should be upgraded in a spirit of overall reform.

61. Turkey, which considered regionalization an important aspect of global cooperation, had undertaken a number of regional and bilateral activities to assist the less developed countries in its region and hoped to promote regional cooperation with the European Community, the European Free Trade Association, the Balkan countries and the countries bordering on the Black Sea. In that context, a Black Sea cooperation project had recently been launched for the purpose of expanding cooperation in trade, industry, science, technology and environmental issues. Regional economic cooperation was also being promoted between Iran, Pakistan and Turkey.

62. UNIDO had an important role to play in the new international environment and in that connection she drew attention to a jointly organized international workshop to be held at Istanbul in November 1992 for officials from countries of the former socialist bloc that were in the process of privatizing State enterprises.

63. Mr. MA'AJI (Nigeria) stressed the need for UNIDO to expand the scope of its assistance and to strengthen its response to the priority claims of the developing nations, especially the poorest among them. The challenges facing UNIDO had not diminished at a time when the developing countries were endeavouring to increase their share of the world economy. Its assistance and advice continued to be invaluable in such areas as cross-border resource flows, including capital, technology, information and management resources.

64. In that context, the needs of sub-Saharan Africa were particularly critical, as indicated in paragraph 12 of document IDB.10/21. Africa continued to place enormous faith in UNIDO and the international community as a whole in their efforts to evolve an urgent response to its concerns. UNIDO's recent activities in Africa had helped to strengthen institutional capacities, bolster foreign investor confidence and assist local entrepreneurs in industrial rehabilitation. He earnestly hoped that those activities would continue as a matter of urgency and that the plight of sub-Saharan Africa would not be forgotten as a result of efforts to assist Eastern Europe.

65. Mr. SARBU (Romania) said that his country, formerly socialist, faced problems arising from the breakdown of central planning and the command economy and from the disintegration of the CMEA economic group. While the first range of problems was the result of a political choice on the part of the Romanian people, the second had external causes and severely affected foreign trade. In addition, further economic difficulties had arisen from the reduction in energy supplies from the former Soviet Union.

66. He had studied the Global Report 1992/93 with great interest and considered it a commendable piece of work. However, since the report was an important source of economic information for international organizations and private investors, he regretted the failure to mention the complex package of laws governing the functioning under market conditions of economic agents, private and State-owned, or the distribution of ownership certificates which had transferred 30 per cent of shares in State-owned companies to Romanian citizens. Reference should also be made in the next report to the number of joint ventures established between foreign and Romanian partners, the selling of the assets of State-owned companies and the significant percentage of the total economy represented by small and medium private companies. Information of that kind would serve the goal of a balanced and objective presentation of the current economic situation. He therefore urged UNIDO to keep abreast of the major developments in the reform process of the Eastern European countries and to reflect the principal steps taken by Romania in the next issue of the Global Report. The Bucharest office of the joint UNIDO-Romania centre would assist by providing the necessary information.

67. In the difficult process of transition UNIDO was well placed to provide expertise and support. The main areas in which UNIDO projects might be developed in Romania related to the stimulation of foreign investment and transfer of technology, the elaboration of sectoral and feasibility studies and the mobilization of financial resources through the use of UNIDO networks and databases. In that connection, he stressed the importance of the proposed investment forum for Romania. Any projects so developed could have mixed financial support from UNIDO and from sources within Romania. Guidance could be found in the documents drawn up by the World Bank and the International Monetary Fund concerning an economic strategy for Romania. He felt confident that UNIDO would be able to assist the Eastern European countries confronted with the difficulties of the present transition period.

68. Mr. SKRIPKA (Russian Federation) said that one of the major changes in recent times had consisted in a fundamental reconsideration of approaches to economic development. An ever-increasing number of countries were moving away from rigid centralized control over their economies towards liberalization, market mechanisms and private investment. That trend was gathering force in the developing countries,

Eastern Europe and the countries of the Commonwealth of Independent States. At the same time, the very concept of development was losing its ideological content and becoming a universal concern. A broad consensus was emerging to the effect that sustainable development could not be brought about on the basis of external factors alone without economic rights and freedoms being ensured at home.

69. All those changes were affecting international organizations, including UNIDO, and he supported further efforts in that direction. He welcomed UNIDO's increased attention to the countries in transition, which had to deal with their problems principally by their own efforts. Given such an approach, support from the international community would have maximum effect. In the new world context, UNIDO should concentrate its efforts on specific projects for the effective industrial development of Member States, in collaboration with the World Bank, the European Bank for Reconstruction and Development, the European Community and UNDP. Russia was interested in collaborating with UNIDO in the promotion of small and medium-scale enterprises, industrial rehabilitation, the reorientation of production, the attraction of investment and privatization. The Organization should also take a more active interest in the problems of conversion: at the current session of the United Nations General Assembly the Russian delegation had supported the idea that UNIDO should be asked to develop proposals in that area.

70. Russia's cooperation with UNIDO was expanding and the projects involved were of interest to other countries: one concerned the possibility of establishing a free economic zone in the Vladivostok region, another a seminar in Moscow on conversion and privatization. In addition, a forum had been held on the prospects for development in the Baltic region and preparations were going ahead for a conference of republics of the former USSR and a seminar on privatization in Russia. UNIDO's participation in the United Nations programme on Chernobyl was also highly important. The UNIDO centre in Moscow should help to enhance the effectiveness of such cooperation, as would the interministerial council for participation in the activities of UNIDO.

71. Coordination was becoming an increasingly important task for both Member States and international organizations. Russia welcomed the reforms now being introduced at the United Nations and considered that they must eventually encompass the entire United Nations system. UNIDO should make its contribution to the process and could count on Russia's support.

72. Ms. ZHANG Meigin (China) recalled the widening gap between the countries of the North and the South and the deepening contradictions due to an irrational economic order and an unbalanced world economic development. Against that background UNIDO had been created in order to revitalize the economies of the developing countries and to accelerate their industrial development. In a changing world situation it must give priority to the needs of the developing countries and expand its operational activities on their behalf, thus helping to establish a just new international economic order.

73. The Chinese delegation had noted with satisfaction that UNIDO had done much good work in the approval and delivery of technical cooperation projects, investment promotion, cooperation between enterprises and cooperation among the developing countries. It had also made progress in developing the International Development Fund (IDF) and other types of funds. China was well aware of the difficulties facing UNIDO as a result of the new UNDP policies and the successor arrangements, which had led to a serious loss of income. Further difficulties had been created by the late payment of assessed contributions. In those circumstances, UNIDO should further explore the possibilities offered by self-financing arrangements.

74. In accordance with available funds, the Organization should select priority areas of primary concern to the developing countries and make every effort to restore its image and credibility. Such priorities should include, first, the collection, study and analysis of development trends in world industry in general and specific sectors in particular, in order to help the developing countries to formulate their industrial policies, thus making UNIDO a world information exchange centre. Secondly, in view of the changes in North-South relations, UNIDO should promote economic and technical cooperation among the developing countries and encourage South-South cooperation. Thirdly, UNIDO should constantly promote investment activities by the developed countries, seek new partners for the developing countries and encourage North-South cooperation on a basis of equality and mutual benefit, including the transfer of technology, investment promotion and assistance for the development of national industries. Fourthly, as the developing countries lacked skilled human resources, the Organization should help to train personnel in industrial design, business management and project delivery.

75. With the extension of China's economic reform policies, its cooperation with UNIDO had been further developed. Specialized meetings had been jointly organized. China had also strengthened its cooperation with the countries of Africa and Latin America. As it entered a new era of economic development and reform, China was ready to cooperate with all Member States to make UNIDO a more dynamic and innovative organization.

76. Mr. EL-HUSSEIN (Sudan) took the Chair.

77. Mr. KUMAR (India) said that recent economic trends, including a strong emphasis on deregulation, the roll-back of government from the industrial sector and an increased role for the private sector, as well as a growing degree of competition in international markets, major industrial restructuring efforts and an incipient economic transformation process in Central and Eastern Europe, imposed a new role on the international financial institutions and the United Nations system. Accordingly, the role of UNIDO would also have to undergo change. In particular, it would need to reorient its activities in order to give them a competitive edge in a fast-changing world. A switch would have to be made from traditional areas such as industrial rehabilitation and the development of industrial estates to such fields as the transfer of technology, environment and energy

conservation, foreign direct investment and privatization. That did not mean that UNIDO should cease to play its traditional role, but rather that it should shift its priorities in the light of its limited resources.

78. The transfer of technology from the industrialized to the developing countries was one of UNIDO's basic functions, but so far it had been more concerned with appropriate technology than with state-of-the-art technology. In future it must aim to procure information on the new and emerging frontiers of technology so that they could be imparted to those who did not possess them.

79. UNIDO could also play a prominent role in foreign direct investment, for which it had established Investment Promotion Service offices in ten major cities. However, the impact of that exercise had been limited because UNIDO had restricted itself to serving as an information exchange centre. It could possibly participate in a more meaningful way by entering into contact with multilateral funding agencies such as the World Bank and the International Finance Corporation, or even with merchant bankers. Such a move would certainly enhance UNIDO's image and usefulness.

80. UNIDO had recently organized investment forums in Viet Nam, Nigeria and China and there was a proposal to hold one in India too. The concept of bringing national investors and potential foreign partners together for individual business discussions seemed to have great potential and he hoped that the practice would be continued.

81. The restructuring of the public sector had become an important issue in most developing countries and in the countries of Eastern Europe. Such restructuring was an essential part of industrial development strategies and UNIDO should carve out a positive role for itself in that area.

82. Mr. AZIRIA (Observer for Algeria) said that the measures proposed in document IDB.10/21 were insufficient to encompass the problem as a whole. Any reasonable approach to the matter had to take into account the purpose of the Organization, which was to speed up industrial development in the developing countries, a task which was far from having been fully accomplished. Admittedly, UNIDO had been able to develop forms of cooperation that were broader than those traditionally deployed by UNDP. However, the current financial crisis had aggravated the dangerous tendency to use special-purpose funds to finance activities that were not in line with UNIDO's objectives. Moreover, the redefinition by UNDP of the tripartite system of technical cooperation had made it increasingly difficult to foresee the resources that UNIDO would receive.

83. While the situation of UNIDO's partners was changing, the kind of services it was asked to provide remained largely the same. The liberalization of the economies of the developing countries and the adoption by the East European countries of market economy principles obliged UNIDO to rethink its approach to cooperation. Constructive dialogue among Member States should make it possible to redefine UNIDO's role in the new world economic environment. He would like to see the Special Advisory Group help prepare concrete proposals, for the consideration of the eleventh session of the Board, for changes that would revitalize the work of the Organization.

84. Mr. TRAXL (Austria) said that, when one was considering a medium-term plan and the definition of priorities for UNIDO's activities, a clear analysis of the global environment was a prerequisite for successful decision-making. The Global Report would serve as a useful basis for evaluating UNIDO's options for the future. Owing to the changing demands of recipient countries as well as a redefinition of its role in the tripartite system of technical cooperation, UNIDO had already begun to shift its focus. However, an in-depth discussion by the policy-making organs with a view to reviewing UNIDO's objectives and functions was still required.

85. A focal point of the strategic orientation of UNIDO might be the concept of industrial development through small-scale and medium-scale industry, which had been gaining ground in the past decade. That approach would lead to the creation of jobs and facilitate integration into the pattern of the other economic sectors. Special challenges might arise in regard to ecological sustainability, which should certainly be one of UNIDO's major concerns. Small-scale and medium-scale industry stood to gain from the reorientation of technical cooperation towards policy analysis and work in the area of institutions and programmes. An approach linking ecological sustainability, capacity-building and institution-building would be particularly suitable for the least developed countries too. UNIDO also had a role to play in the mobilization of resources and particularly in foreign investment promotion, where its strength lay in the provision of advisory services as an "honest broker".

86. Another vital function of the Organization was its Industrial Development Fund. At a time of dwindling funds for operational activities, IDF was becoming increasingly important, and he hoped that Member States would bear that in mind when making their contributions.

87. His country actively supported the efforts for improved donor coordination and the rationalization of project submission procedures. It had continuously endeavoured to provide contributions which were commensurate with the changing needs of the Fund. Through regular consultations it had been possible to bring the type of projects provided more into line with the specific needs of the developing countries.

88. UNIDO should focus its efforts the following year on improving the quality of IDF projects and delivery mechanisms. Closer monitoring of project implementation and greater feedback from the recipient countries might prove useful in that regard.

89. For 1993, his country planned a general-purpose contribution to the Fund of 2 million schillings and probable special-purpose contributions of 13 million schillings, subject to parliamentary approval and mutual agreement regarding specific projects.

90. Mr. ARIZAGA (Observer for Ecuador) said that the new Government in Ecuador had adopted a series of policies and strategies aimed at promoting the country's industrial development, its adaptation to new trends in the world economy, the assimilatation of modern technology in the production process and the efficient channelling of international technical and financial cooperation. UNIDO's activities would be particularly useful in that connection.

91. The main objectives of the Government's industrial policy were the opening up of the economy, the direct involvement of the private sector in the development process, and the modernization of the State, to enable it to perform its tasks relating to macroeconomic management, the planning of development and the guiding of sectoral production. The Government intended to adjust planning mechanisms so as to increase economic efficiency and promote technological innovation with a view to making the economic sectors more competitive on the international market. It also hoped to stimulate the production sector through the simplification of legislation to promote investment and human resource development. UNIDO's operational activities made a positive contribution in complementing national efforts, inter alia, to strengthen industrial capacity and promote science and technology.

92. He stressed the vital role played by the UNIDO Country Directors in coordinating and supervising international cooperation activities relating to industry. The presence of a UCD in Ecuador was of great importance and his Government was ready to consider alternatives for ensuring the efficient functioning of the local office. Efforts should be made to ensure that the current total number of UCDs was maintained, if not increased.

93. Mr. YOGASARA (Indonesia), speaking on behalf of the ASEAN member countries, said he shared the concern expressed by other developing countries regarding the ever-widening gap between North and South, which denied them the opportunity of actively participating in the transformation of the world economy. Endorsing the view expressed by the Director-General in his report (IDB.10/21, para. 4) that the active participation of developing countries in the world economy implied a focus on cross-border transactions and cross-border resource flows, he suggested that UNIDO should incorporate such aspects in its technical cooperation activities.

94. While the world experienced rapid and fundamental changes in the economic sphere, the future remained in doubt since relations between the developed and developing countries were still beset by imbalance and inequities. The sustained growth enjoyed by the developed countries in recent years had not been shared by the developing countries, which were in the process of changing their development strategies and had made strenuous efforts, at considerable cost and sacrifice, to promote development. If structural adjustment and liberalization measures were to be successful, there had to be reciprocation by the developed countries. The far-reaching fiscal, trade, industrial and economic policy reforms undertaken by developing countries should not be thwarted by short-sighted policies of protectionism and reduced transfer of resources on the part of the developed countries.

95. There were now new sources of technologies available to the developing countries as a result of regional disintegration and the transformation of the centrally planned economies in many newly-independent States. In economic terms, if the mechanism of supply and demand functioned, the situation would be advantageous to all developing countries. UNIDO should therefore take into account the emergence of new suppliers of technology when planning technical cooperation projects, with a view to increasing the active participation of developing countries in the transformation of the world economy.

96. Mr. DEL POZO CARAFA (Bolivia) said that his delegation had asked to speak on item 10 because it was a matter of vital importance, and because it offered scope for expressing ideas on other items of the agenda.

97. Unfortunately, the financial situation of UNIDO was a source of constant concern. The failure of Member States to pay their contributions on time was one of the main factors underlying the Organization's difficulties, and it was difficult, in the present situation, to foresee any substantial improvement. At the same time, however, his delegation felt obliged to stress that efficient administration of resources was absolutely essential to the attainment of UNIDO's objectives. Bolivia believed that future emergency measures should focus on ensuring a constant watch over expenditure and income with a view to balancing the operational budget.

98. With reference to agenda item 4 (1), his delegation felt that efforts should be continued to maintain the UNIDO Country Director programme at least at its present level, in order to maintain and if possible increase the influence of those Directors particularly in their advisory functions at both the planning and the evaluation level.

99. With regard to item 6, Bolivia believed that any steps which UNIDO could take with a view to implementing Agenda 21 would be extremely valuable for future industrial development in the less-developed countries.

100. On item 9, it was important to mention that the burden of external debt in the developing countries constituted a serious structural impediment to public investment aimed at the diversification of industry. UNIDO should continue its efforts in that area and become a promoter of investment in countries such as Bolivia, which had confronted the necessity of macroeconomic adjustments in a spirit of sacrifice, believing that better days lay ahead for their society. Bolivia had promulgated a law on investment which was in keeping with world realities, had created a clear and simple system of taxation, enjoyed free conversion of currencies and placed no restrictions on the payment of dividends. Foreign capital for joint-venture operations was not limited as to the extent of participation, and a process of privatization had been launched, all in an atmosphere of peaceful coexistence among Bolivians who had adopted democracy as their way of life. The world

community was now witnessing the excellent results emerging from those policies.

101. His delegation also felt that UNIDO could play the role of a protagonist in the "debt for development" strategy as an effective mechanism for securing investment in strategic industrial sectors in the developing countries.

102. Returning to item 10, "Evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world", he said that changes in the world during the last few years had broken down walls but that UNIDO, together with the leading economic powers of the world, now had the task of destroying the walls that separated rich and poor and ushering in a new century of justice and peaceful coexistence.

103. Mr. LONSMANN POULSEN (Observer for Denmark) said it was a sad fact that the relative role of the United Nations system's operational activities for development had been in steady decline, quantitatively and qualitatively, for many years. Many organizations of the system had become increasingly marginalized. That state of affairs had been clearly and undiplomatically pointed out by the Nordic UN Project, published in May 1991. At the present juncture it would be wrong to make accusations or try to place the responsibility for what had happened. It was time to take stock of the situation, however, and to take a hard look at what UNIDO could and should do in the future.

104. What delegations now saw was an organization faced with large discrepancies between its mandate and the resources at its disposal, between its declared operational objectives and what it was actually able to achieve. They also saw an organization in which the need for a better focus in the assignment of priorities had been on the agenda for the last decade, not merely because of the need for dynamic adaptation to a changing environment but in response to the justified realization that more fundamental changes were required.

105. Delegations also saw an organization faced with a serious financial crisis which could not be attributed exclusively to the inability or unwillingness of Member States to respond to international development needs. The problems also lay in UNIDO's ability to use the funds it received efficiently.

106. Finally, delegations saw an organization with a structure that was clearly out of line with the scope of its activities - an organization with a senior management structure that was clearly based not on operational needs but on political considerations, and which jeopardized its efficiency.

107. Given that background, the Danish Government had financed a study of UNIDO - of the advantage it offered, of the areas where its work was, or should be, concentrated, of its organization and resources. That study had been carried out by a Danish consultancy firm with extensive experience in the United Nations system and in international development cooperation; and it had been carried out in close cooperation with the Danish Mission in Vienna. The study, which had just been finalized, did not claim to provide all the answers to all the problems facing UNIDO, but his delegation hoped that it would prove to be a constructive contribution towards redefining UNIDO's role.

108. Regarding the five major target areas and three common themes in UNIDO's medium-term plan for 1992-1999, nobody could argue against any of the specific target areas or themes, but it was wrong to believe that they could be used for practical priority-setting within UNIDO. As pointed out in the study, several targets overlapped and had no sectoral, institutional or country focus. Moreover, the targets were so broad that they could not suggest any effective setting of priorities.

109. The study also pointed out that it was difficult to establish links between the eight targets and themes and the output of UNIDO as a technical cooperation agency. The study therefore sought new instruments which would facilitate concentration and priority-setting for UNIDO's technical cooperation and normative activities.

110. The target levels for foreign assistance to industrial development should be regarded as the point of departure of the study. Those targets were found at three levels of society in developing countries: the policy and strategy level, where the Government's task was to create an environment in which sustainable industrial development could flourish; the institutional framework level, where public, semi-public and private institutions had the task of supporting the enterprises in their operations; and the enterprise level, which was the ultimate impact level for policies, strategies and institutions.

111. International assistance was needed at all three levels, since many developing countries still lacked the national capabilities required to support industrial development. The challenge for UNIDO was not only to strengther its capacity to deliver technical assistance at all three levels, but also - since it was clearly unable to undertake all the tasks that would in theory be desirable - to determine where it could be of most use. In that respect, the study found that UNIDO, like a number of other United Nations organizations, should move "upstream" to the policy, strategy and institutional framework levels, and that it should be considerably more selective on the enterprise level.

112. Another important finding was that UNIDO should concentrate its activities in order to obtain the "critical mass" in terms of resources and expertise necessary for it to become a centre of excellence. It was obvious that UNIDO had spread itself too thinly and that with such an approach it could not be the centre of excellence of the United Nations system for industrial development. UNIDO must accept that some activities would have to be abandoned. The study estimated that the number of subsectors which UNIDO could deal with effectively, given its present capacity, would be 10 rather than the 18 handled at present.

113. The "critical mass" requirements would have to be reflected in a new and more appropriate structure. The study proposed a structure with three departments: a department of industrial policy for regionally organized groups of Professionals delivering policy advice and

capacity-building; a department of industrial operations, with specific groups of Professionals for each subsector, delivering technical assistance and providing technical advice; and a department of administration, which would handle the Organization's administrative tasks, external relations and industrial operations support. Some changes would be required in the mixture of skills currently available, and considerable redeployment of staff within UNIDO would be inevitable. That broad framework was in fact very similar to what the Director-General had himself proposed. With regard to the underlying structure and the functions envisaged for the various departments, however, there were some differences.

114. The study also pointed out that UNIDO funds could probably be better utilized at the country level if country strategies were established as a priority-setting framework for UNIDO's activities in individual developing countries. Such strategies should not, however, be thought of as a venture into country programmes, for nowhere would UNIDO's quantitative level of activity justify a country programme as such.

115. Country strategies would be drawn up by the department of industrial policy, but both that department and the industrial operations department should have their own identifiable output of technical assistance service aimed at different target levels. The policy department should focus on the policy and strategy level as well as part of the institutional framework level, whereas the industrial operations department would deliver assistance to part of the institutional framework level and to the enterprise level. The departments should be able to draw on expertise from each other. To ensure a coordinated approach and conformity of projects with the established country strategies, the study envisaged the establishment of an activity coordination committee under the chairmanship of the Director-General.

116. In conclusion, he wished to stress that the Danish study was not based on a belief that there was nothing to build on. It was rooted in the belief that there was a need for change and a real possibility of implementing changes. It was not the exclusive responsibility of management and staff to make those changes; the Board had the responsibility of paving the way for them by laying down broad but coherent guidelines. There were many dedicated and competent people in UNIDO capable of constituting the core of a team whose efforts would make UNIDO more efficient and more meaningful. The task was not impossible; the alternative, however, was total irrelevance.

117. Mr. MOON (Republic of Korea) said that, as clearly reflected in the Global Report, the world was undergoing drastic changes, due in the main to increased privatization of formerly centrally-planned economies and the current recession in Western Europe and North America. Those factors had made a great impact on UNIDO's operating environment. He considered that the Organization's survival depended on how effectively it used the limited resources available. UNIDO's services should be focused on strategic areas which would make for greater efficiency while responding to the changing requirements of Member States. He took note of the statement in document IDB.10/21 (para. 15) that the demand for UNIDO's services was shifting towards sectoral analyses, policy advice and work at programme level. He would also support the strengthening of UNIDO's capability to design and implement integrated programmes based on available expertise in the Organization.

118. Mr. FADLALLA (Sudan) said that his country was making considerable progress in the area of industrial development. A forum had been organized in his country, with the participation of local and foreign investors, and had issued recommendations in a number of areas including legislation governing investment. Great strides had been made in the privatization of the national economy and a ten-year plan had been prepared to promote the activities of the private sector. The Sudanese economy was largely based on agriculture and satisfactory results had been achieved in the field of agricultural development. None the less, in order to achieve its goals and use its potential to the full, his country still required the assistance of UNIDO for all the activities listed in the report. Appropriate means and structures would have to be found for providing such assistance through the services of qualified personnel.

119. The PRESIDENT said that a request for the floor had been received from the representative of the Preferential Trade Area for Eastern and Southern African States. In view of time constraints, he regretted that it would not be possible for that representative to deliver an oral statement, but his written statement would be reflected in the records of the session.*

120. The PRESIDENT invited the Secretariat to reply to questions raised in connection with the items just discussed.

121. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), replying to questions raised on agenda item 6 ("UNIDO environment programme"), thanked members for their remarks. A question had been asked concerning document A/47/535. It was true that the environment was not dealt with in that short document; however, the sustainable development themes from UNCED would figure largely at the operational stage. Reference had also been made to the importance of the quality of UNIDO's assistance. The Organization was actively engaged in changing the way the project development process focused on the quality criteria of relevance, sustainability and cost-effectiveness. That was being done, inter alia, through project management teams and the increased development of integrated subsectoral programmes. Environmental considerations were included in all UNIDO projects. The appraisal process regularly took environmental concerns into consideration and the UNDP guidelines on environmental management were applied.

122. Regarding the relationship between documents IDB.10/17 and IDB.10/32, he said that the former contained an update of the UNIDO environment programme as requested in paragraph 5 of General Conference resolution GC.4/Res.18. Document

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* See the annex.

IDB.10/32, on the other hand, recognized that Agenda 21 covered not only environment but also development issues and laid the basis for a comprehensive sustainable development strategy. The document not only separated the environment programme from the larger issue of sustainable development, but also initiated the very important policy dialogue on Agenda 21. Part of that policy dialogue must address the capacities, priorities and comparative advantages of UNIDO in that endeavour.

123. With regard to the implementation of the environment programme, he said that, as outlined in paragraph 28 of document IDB.10/17, an Environment Coordination Unit had been set up in July 1990 to augment standard coordination mechanisms. The Unit was responsible for coordinating programme management and promotion, advising UNIDO's technical units on project development, resource mobilization and inter-agency contacts on environment-related issues. The Unit also served as secretariat to the new interdepartmental Task Force on Environment. The Task Force regularly reviewed issues relating to the environment and made suggestions for programme implementation.

124. On the question of future programmes and projects, he stressed that cleaner production was the main focus of UNIDO's activities relating to both its energy programme and its environment programme. Cleaner production techniques and technologies and energy efficiency and conservation measures would in future constitute the framework for the selection of programmes and projects under the environment programme. The importance of subprogrammes III and IV on the promotion of cleaner production and pollution abatement was therefore crucial. Under those subprogrammes, all the expertise and experience acquired over the last 25 years became highly relevant.

125. On the theme of inter-agency coordination and cooperation, he noted that many speakers had stressed that Agenda 21 must be a cooperative effort in terms of complementarity of programme content and programme implementation. The Secretariat was in full agreement with that assessment, which applied also to the provision of financial resources, through such global mechanisms as the Global Environment Facility, the Interim Multilateral Fund for the Implementation of the Montreal Protocol and UNDP's Capacity 21. The issue was an integral part of the policy dialogue he had referred to. At the inter-agency level, as had been mentioned, the recently created ACC Inter-Agency Committee on Sustainable Development would work with the proposed commission on this topic within the framework of the Economic and Social Council for the implementation of Agenda 21. If UNIDO was not involved at the policy level, it would be almost impossible to address the issues of prioritization, allocation of resources and complementarity of programmes properly. It was clear from the statements made that members felt that UNIDO should be a member of the ACC Inter-Agency Committee. The Secretariat hoped that that position would be reflected in a decision of the Board at the current session. Such a decision would demonstrate the importance members attached to the successful implementation of Agenda 21, which would not be possible without full participation of industry.

126. Regarding agenda item 10 ("Evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world"), the need for better inter-agency coordination had been stressed. That point was underlined by the fact that the agency making the largest contribution in the industrial field was not asked to participate in the ACC Inter-Agency Committee referred to.

127. Mr. de MARIA y CAMPOS (Deputy Director-General, Department of Industrial Operations) said that a paper was available providing details on UNIDO's cooperation projects relating to the environment and energy, already under way or at the planning stage, at global, regional and national level. As many countries had requested, UNIDO was paying special attention to small-scale industry, which faced particular problems in coping with the ecological aspects of industrialization. The projects covered a wide variety of fields including prevention of pollution, management of wastes and treatment of effluents. Many countries were interested in the services that UNIDO was able to provide, and he was sure that, with appropriately trained staff and adequate funding, the Organization would be able to serve Member States effectively.

128. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) responding to comments made on agenda item 5 ("Special Programme for Industrial Development in the Arab Countries"), said on the question of the shortage of funds available for the Programme, that it was hoped that additional funds could be mobilized from regional organizations. That was the objective of the meeting to be held at Cairo. The meagre resources of UNIDO needed to be supplemented.

129. The extension of the UNIDO Country Director programme in relation to the Arab countries was being actively considered and discussions were under way in that direction.

130. Turning to agenda item 10 ("Evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world"), he noted that the deliberations had touched on the whole area of the Organization's activities. Those activities were reflected in the Global Report, which was a valuable tool for analysis of the current situation and the prospects for 1993. The Global Report would increasingly constitute the basis for the Organization's activities. The structure of the Global Report was currently being reviewed in an effort to relate its contents more to the Organization's operational activities. There were also country reviews and country reports which serve as the basis for the future development of a country strategy concept, along the lines suggested by the representative of Denmark in his statement.

The meeting rose at 6.25 p.m.

Annex

SUMMARY OF A STATEMENT SUBMITTED IN WRITTEN FORM ONLY

The statement summarized below was not delivered orally but submitted in written form only.

The representative of the PREFERENTIAL TRADE AREA FOR EASTERN AND SOUTHERN AFRICAN STATES said in his written statement on item 10 that the invitation that PTA had received to participate in the session was evidence of the growing cooperation between PTA and UNIDO. Since the signing of a cooperation agreement between the two organizations in 1991, PTA had benefited greatly from UNIDO's assistance in implementing industrial development programmes at the national and subregional levels in Eastern and Southern Africa. The trade and development strategy of PTA, approved at the beginning of 1992, was designed to promote the transformation of PTA into a subregional common market for Eastern and Southern African States and ultimately into an economic community. UNIDO's comments on the draft treaty to establish the common market would be welcome in due course. The members of PTA sought to create a market characterized by free movement of goods, services, capital and investment and by wide participation of the private sector in development. They were resolved to pursue policies which would harness all agents for growth in a process led by the industrial sector. The Preferential Trade Area looked forward to further cooperation with UNIDO. It hoped that the industrialized countries would increase their financial assistance so as to strengthen the capacity of UNIDO to promote industrial development in Eastern and Southern Africa.

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Tenth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 5 November 1992, at 10 a.m.

President: Mr. BALAZS (Hungary)

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The meeting was called to order at 10.25 a.m.

PREPARATORY ARRANGEMENTS FOR THE FIFTH SESSION OF THE GENERAL CONFERENCE (IDB.10/19, IDB.10/31)

1. The PRESIDENT called the Board's attention to the report by the Director-General (IDB.10/31), concerning the agreement with the Government of Cameroon on the venue of the fifth session of the General Conference and to a note by the Secretariat (IDB.10/19) concerning the preparation of the provisional agenda of the fifth session of the General Conference.

2. Mr. ALEXANDRENNE (Deputy Director-General, Department of External Relations, Public Information, Language and Documentation Services) reminded the Board that the fourth General Conference had decided that the fifth session would take place from 6 to 10 December 1993. Having received an invitation from the Government of Cameroon to hold the fifth session at Yaoundé, it had requested the Director-General to enter into consultations with that Government with a view to making the appropriate arrangements and to report thereon to the Board at its tenth session. The Board had already, at its ninth session, held a preliminary discussion on the matter, to enable the Government of Cameroon to consider the financial implications of its undertaking when drawing up its budget for 1992/93. On 2 November 1992 the Director-General had signed the necessary agreement with the Government of Cameroon.

3. Under Article 9 (4) of the Constitution, it was for the Board to prepare the provisional agenda of the General Conference. A list of items to be considered for inclusion in the provisional agenda appeared in annex I to document IDB.10/19. In resolution GC.4/Res.26, on streamlining the work of the policy-making organs, the Conference had recommended the Board to set up the agenda of the fifth session of the Conference to correspond to the five medium-term priority problem areas, the three thematic programmes and the regional dimension, taking into account the policy directives by major categories of programme instruments. In the light of that recommendation, the Secretariat was proposing, in annex II to document IDB.10/19, a possible grouping of some of the items following the main themes of the current medium-term plan.

4. Mr. MPANA (Cameroon) read out a message from Mr. Jean Melaga, the Permanent Representative of the Republic of Cameroon to UNIDO, who was unfortunately unable to attend the Board's session in person. The Government and people of Cameroon welcomed the opportunity to act as hosts to the fifth session of the General Conference at Yaoundé and were confident of their ability to fulfil the demands placed on them. They were grateful for the offers of assistance they had received from other States. The Director-General had shown

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great understanding and patience in negotiating the necessary agreement, which had been somewhat delayed by events associated with the ongoing process of democratization in Cameroon. By a happy coincidence, the signing of the agreement at Vienna on 2 November had been followed, the next day, by the swearing-in of President Biya for a further term of office, following the presidential election held on 11 October. His re-election, and the stability which came with it, were evidence that the country had passed its credibility test as a democracy. A calm and pleasant stay was guaranteed to delegations which made the journey to Yaounde.

5. He hoped the Board would make room on the agenda of the Conference for a general debate on wider issues, so as to enable the Conference to provide a response to the challenges facing UNIDO.

6. Mr. MACHIN (United Kingdom), speaking on behalf of the European Community and its member States, said that the Community had repeatedly voiced its concern in UNIDO's policy-making organs about the size of their agendas, which deprived their members of the opportunity to discuss important topics adequately. That situation had been compounded by the excess of indigestible documents placed before the organs concerned. The work of the bodies which drafted their decisions was therefore reduced to the editing of a large number of texts, many of which seemed to bear little relevance to the Organization's capacities.

7. With that in mind, the General Conference, at its fourth session, had adopted a resolution aimed at streamlining the work of the policy-making organs (GC.4/Res.26). In paragraph 2 of the resolution the Board had been recommended to prepare an agenda for the fifth session of the Conference which embraced certain problem areas, thematic programmes and regional dimensions, with the aim that the outcome of the session should be a single text dealing comprehensively with those various elements.

8. The tentative provisional agenda proposed by the Secretariat in annex II to document IDB.10/19 met that recommendation, although the Community and its members would have preferred it to be even shorter. They wished to propose that item 8 (e), "Environment and energy", should be expanded to read "Environment, energy and sustainable industrial development, including the follow-up to the United Nations Conference on Environment and Development", in order to reflect UNIDO's role in the field in question. Subject to that modification and to review of the tentative provisional agenda by the Board, if required, at its eleventh session, they could approve the proposal in annex II to document IDB.10/19. That agenda would permit detailed discussion of policy development in plenary meetings and greatly reduce the number of resolutions to be discussed in main committee meetings, as well as the number and volume of reports to be prepared by the Secretariat, much of whose output went unread. There was no need for each agenda item to give rise to a separate report or to a separate agenda item at a subsequent session of a policy-making organ.

9. Mr. SZABO (Hungary) said that holding the fifth General Conference in Cameroon should contribute to better understanding among the Member States of the Organization. The agenda should include a special item on the evaluation of the Programme for the Second Industrial Development Decade for Africa, and its future development. Among the items listed in annex II to document IDB.10/19, there were some of lesser importance which could be excluded. Under item 10, "The regional dimension", special emphasis should be placed on the Second Industrial Development Decade for Africa and on the industrialization of the least developed countries. Under item 11, "Policy directives", the question of the external debt could be excluded. Under item 13 (Programme support), matters of lesser importance which could be excluded were the United Nations Joint Staff Pension Fund, women in the Secretariat, and the computerization programme.

10. Mr. VETTOVAGLIA (Switzerland) said it was regrettable that the manner of operation of the policy-making organs prevented UNIDO from dealing with the really important problems. His delegation's aim in proposing resolution GC.4/Res.26 had been to reduce the Conference agenda to a reasonable length. The list of items to be considered for inclusion in the provisional agenda, set out in annex I to document IDB.10/19, was a daunting one, and he agreed with the representative of the United Kingdom and the other member States of the European Community that if too many resolutions were submitted to the General Conference it would not be able to do its work properly. He therefore congratulated the Secretariat on its excellent work in grouping items for the provisional agenda, the result of which appeared in annex II to document IDB.10/19. Such an agenda would offer, at last, an opportunity to focus on the Organization's priorities. According to resolution GC.4/Res.26, the outcome of the deliberations of the fifth General Conference should take the form of a single text rather than a series of separate resolutions. By focusing on priorities at Yaounde, the fifth General Conference could produce an African equivalent of the Lima Declaration.

11. Mr. HELLER (Mexico) emphasized the significance of the decision to hold the fifth General Conference in an African country. It would be an excellent opportunity to consider the situation of the African least developed countries and plans for their industrial development. It would also be a historic opportunity to reflect on the future of the Organization and define a strategy, with appropriate financial mechanisms, in the light of the new international economic situation. He welcomed the work done by the Secretariat, in annex II to IDB.10/19, to focus on the essential aspects of the Organization's work. At the Conference itself, mechanisms would have to be set up to tackle substantive matters and to deal with certain issues, especially the structure of UNIDO, on a priority basis. Those questions should be taken up by the main committee of the Conference, other agenda items being entrusted to working groups.

12. Mr. WOJAVA (Austria) was grateful to Cameroon for its willingness to act as host to the fifth General Conference, the first time an African country had done so. He shared the concern expressed by previous speakers at the voluminous provisional agenda for the Conference. However, any criticism should be addressed to Member States rather than the Organization, since it was the

Member States which were responsible for over-burdening the agenda. He commended the Secretariat on its work in grouping items on the basis of resolution GC.4/Res.26 and expressed the hope that annex II to IDB.10/19 would form the basis of the Conference agenda.

13. Mr. MA'AJI (Nigeria), welcoming the Board's decision to hold the fifth General Conference in Yaounde, offered his country's assistance to the Government and people of Cameroon in their preparations. It was a matter of pride for Nigeria, and for the whole of the continent, that a conference of such importance was to be held in an African country.

14. Mr. ALEXANDRENNE (Deputy Director-General, Department of External Relations, Public Information, Language and Documentation Services), replying to the points raised in the debate, said that the Secretariat had endeavoured to comply with the Board's guidelines when drawing up the provisional agenda and would take due account of the observations made by members. Its task would be made easier if the amount of documentation was cut back and the focus placed on priority topics vital to UNIDO's future. In annex II to IDB.10/19, the grouping of items relating to the regional dimension gave due emphasis, as requested by the representative of Hungary, to the Second Industrial Development Decade for Africa and the industrialization of the least developed countries. The fourth General Conference had laid special stress on the latter topic and had adopted a plan of action, which was now being implemented. As pointed out by the representatives of Switzerland and the United Kingdom, there was a need to focus the debate on certain policy aspects of the Organization, and its priorities. A Yaounde declaration, on the lines of the 1975 Lima Declaration, would indeed be a welcome outcome.

HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA (IDB.10/23)

15. Mr. WARNER (Deputy Director-General, Department of Administration) said that the Director-General's report (IDB.10/23) covered the period between 26 September 1991 and 7 September 1992. In August 1992 the legal advisers of the Austrian Foreign Ministry and of UNIDO had met to exchange views on the form in which negotiations should be conducted on the draft definitive headquarters agreement proposed by UNIDO in November 1991. In October 1992 the Legal Adviser of the Austrian Foreign Ministry had transmitted to UNIDO's legal adviser written comments on certain articles in UNIDO's proposal. The comments were mostly technical in nature and would be analysed by UNIDO's Legal Service. The Secretariat believed that the level of privileges and immunities to be granted to UNIDO should not be inferior to that enjoyed by the International Atomic Energy Agency (IAEA) or by the United Nations Office at Vienna (UNOV) and that the Convention on the Privileges and Immunities of the United Nations should be carefully respected. The Convention was applicable to UNIDO in Austria by virtue of the ratification by Austria of the Constitution of UNIDO. It was expected that UNIDO, like IAEA and UNOV, would continue to be provided with additional privileges that would facilitate its functioning in Austria.

16. Mr. MAS (Costa Rica) said his delegation wished to thank the Government and people of Austria for their generous hospitality in providing headquarters accommodation for the Organization.

ADMINISTRATIVE MATTERS:

(a) JOINT INSPECTION UNIT (IDB.10/22)

(b) INTERNATIONAL CIVIL SERVICE COMMISSION (IDB.10/28, IDB.10/33, IDB.10/36)

17. Mr. WARNER (Deputy Director-General, Department of Administration) said that both document IDB.10/22 and document IDB.10/28 dealt with matters of relevance not just to UNIDO, but to the whole of the United Nations common system, which comprised the United Nations Secretariat and the specialized agencies.

18. With reference to document IDB.10/22, he explained that "grade overlap" referred primarily to the phenomenon of salary overlap between the General Service and Professional categories. The cause of that overlap lay in the different methodologies used to set and adjust the levels of remuneration of the two categories. Professional salaries were established on the basis of the Noblemaire principle, under which United Nations salaries were compared to those of the United States Civil Service, whereas General Service salaries were established on the basis of the Flemming principle, which compared United Nations salaries with those prevailing locally at the duty station. Unless ways were found of establishing a remuneration package for Professional staff, that overlap would persist.

19. An important observation made in the report was that the incidence of salary overlap did not exist in the majority of duty stations around the world, where there was a substantial gap between General Service and Professional salary scales. The overlap was primarily confined to headquarters duty stations.

20. Concerning post classification, the report gave an excellent review of the classification process used in the United Nations common system, together with guidance as to where and how improvements could be achieved. The report would be a useful guide to classification projects in the future, in view of the need to ensure that jobs of equivalent value were graded at the same level and were made competitive, in terms of remuneration, with comparable jobs in the comparator country as well as in the labour market generally. Since classification was recognized as one of the key elements of any human resource management system, further studies should be carried out - possibly by ICSC - with a view to finding long-term solutions to the problem of how to recognize merit and performance. The Organization was continuing its efforts to strengthen relationships with multilateral financial institutions.

21. Document IDB.10/28 brought to the Board's attention those decisions made by the United Nations General Assembly on the recommendation of ICSC that had to be implemented by organizations of the common system, including UNIDO, in accordance with staff regulation 13.3.

22. He wished to highlight the emphasis placed by several organizations of the common system on the important role that Member States could play in identifying and putting forward women candidates, particularly in specialized technical disciplines. As indicated in paragraph 14 of document IDB.10/28, a progress report on the status of women in the UNIDO Secretariat would be submitted to the Board at its eleventh session.

23. The same document provided information on developments in the common system regarding pension arrangements for ungraded officials. It would be possible to consider arrangements for officials who had not been participants in the United Nations Pension Fund prior to their appointment bearing in mind the fact that they were elected to office. There would seem to be justification for some flexibility, allowing executive heads who had not been participants in the Pension Fund prior to election to make arrangements outside the Fund, subject to endorsement by the legislative organ which determined their conditions of service. The Board's endorsement of the new paragraph (c) of article 54 of the Pension Fund Regulations would facilitate such flexibility.

24. In conclusion, he pointed out the statement contained in document IDB.10/36 represented the views of the UNIDO Staff Council.

25. The PRESIDENT, noting that there were no comments on the two documents just introduced, reminded delegates that in resolution IDB.1/Res.1 the Board had decided that, if considered desirable, a single recognized representative of the staff of the Secretariat might be invited to make an oral presentation to the Board to introduce a document submitted by the staff and already distributed. That resolution had been confirmed by the General Conference in resolution GC.4/Res.29. In accordance with past practice, he would therefore give the floor to the representative of the UNIDO Staff Union to introduce document IDB.10/36.

26. Ms. LAVNICK-WAINSTEAD (UNIDO Staff Union), said that plain speaking was now very much the order of the day in the United Nations system, and that the staff had accordingly expressed their views frankly to the Board in document IDB.10/36. They were grateful that some of the points they had raised had received a positive response from Board members, and notably from the representative of one of the major contributors to UNIDO. It had also been gratifying to follow the previous day's discussion, during the informal consultations, on a specific proposal to alleviate UNIDO's financial problems at the expense of the career development of staff. The understanding shown by the majority of speakers of the procedure whereby deserving staff were only promoted if they took up posts classified at a higher level had indeed been reassuring. Member States would be aware that opportunities to move to higher posts with increased responsibility could only increase motivation, and encourage staff to pull together in order to put the Organization back on the right road. Staff who had chosen to work for UNIDO, and who often found themselves cut off from family and social ties in their own countries as a result, felt strong attachment and loyalty to the Organization. They regarded its failures as their own failures, and its successes as their own successes.

27. It was in that light that the staff wished to ask Board members to give their attention to the comments and suggestions made in document IDB.10/36. The rumours of staff reductions gave grounds for particular concern. The Union believed that the total lack of staff consultations on the matter, as well as the absence of a properly conceived master plan, was a serious error on the part of the management, which had led to feelings of demoralization, and even bitterness. The Union would have welcomed the establishment of a staff/management body to advise on contract extensions or reassignments, and would also have welcomed consultations on the career impact of such reassignments. The Staff Council had suggested several alternatives to reductions, including the retraining of existing staff to fill vacant posts.

28. The ICSC recommendations on General Service salaries had been highly unwelcome, and UNIDO would do well to re-examine that issue at an appropriate time.

29. Staff were naturally anxious about their immediate future following the departure of the Director-General early the following year. There was an urgent need to agree on a new management structure for UNIDO, since the present climate of indecision was crippling the Organization. While the Union was aware that political considerations played a part in the appointment of executive heads of specialized agencies, it would like to hope that the new Director-General of UNIDO would be chosen for his or her superior leadership, competence, integrity, dedication and vision.

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.10/13, IDB.10/16 and Add.1)

30. The PRESIDENT, pointing out that the Board had before it documents IDB.10/13 and IDB.10/16 and Add.1, providing information on four non-governmental organizations that had applied for consultative status with UNIDO and on three intergovernmental organizations that had expressed the wish to enter into appropriate relationship agreements, said he had reviewed those applications with his Bureau colleagues and, in agreement with them, was recommending two draft decisions to the Board for adoption.

31. The first would bear the title "Intergovernmental organizations not in the United Nations system", and would read:

"The Industrial Development Board,

"(a) Takes note of the information provided in document IDB.10/16 and Add.1;

"(b) Authorizes the Director-General, in accordance with Article 19.1 (a) of the Constitution of UNIDO and the Guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (decision GC.1/Dec.41, annex, para. 9) and based on the information contained in the annexes to document IDB.10/16 and Add.1, to conclude appropriate relationship agreements with the following three intergovernmental organizations:

Asian-African Legal Consultative Committee (AALCC)

Cooperation Council for the Arab States of the Gulf (GCC)

Development Bank of the Great Lakes States (BDEGL)."

32. The draft decision was adopted.

33. The PRESIDENT said that the second draft decision would bear the title "Applications from non-governmental organizations for consultative status", and would read:

"The Industrial Development Board,

"(a) Takes note of the information provided in document IDB.10/13;

"(b) Decides, in accordance with Article 19.1 (b) of the Constitution of UNIDO and the Guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (decision GC.1/Dec.41, annex, para. 17), to grant consultative status with UNIDO to the following four international non-governmental organizations:

International Academy of Technological Sciences

International Statistical Institute (ISI)

Pan African Union of Science and Technology (PUST)

Professors' Association of Metrologists (PAM)."

34. The draft decision was adopted.

35. Mr. NJENGA (Asian-African Legal Consultative Committee) thanked the Board for giving its approval to the Agreement between UNIDO and AALCC envisaging cooperation in promoting the legal modalities to facilitate industrialization of the third world, an essential ingredient of a new international economic order.

36. The Second General Conference of UNIDO, held at Lima in 1975, had emphasized the strategic role of industry in overall economic development and set a target whereby the developing countries were to account for at least a quarter of total world manufacturing output by the year 2000. The Lima target had come at a time when manufacturing output in the developing countries had been growing at an average annual rate of over 7 per cent since 1963 and accounted for about 10 per cent of the world total. In that context, the target had seemed a reasonable one. Since then, however, the global political and economic situation had undergone drastic change, marked by a decline in the manufacturing output of most developing countries, and even by de-industrialization in certain parts of the third world. From that standpoint, the Lima target might indeed look far from attainable.

37. The prevailing gloom and uncertainty should not, however, be allowed to obscure the modest nature of the Lima target. Instead, concerted action was needed to evolve strategies and policies for tackling the central problem of how a reasonably high and steady pace of industrialization could be maintained in the developing world towards that goal. At the same time, care should be taken to ensure that the current emphasis on sustainable development, environmentally acceptable technologies and pollution prevention standards did not deflect those efforts.

38. Founded in November 1956 as a direct outcome of the historic Bandung Conference in order to provide an advisory body of legal experts for its member Governments, AALCC had since grown into a major international organization in the field of law and economic relations, comprising 42 African and Asian Governments. Initially, its mandate had been to examine traditional international law, mainly developed by the West, but its activities had since been expanded in line with the requirements of its growing membership and with its broader purpose as a forum for Asian-African cooperation. That trend had been particularly discernible in economic relations and trade law.

39. Since 1980, AALCC had been developing a legal framework for regional cooperation among its member States in the field of industry. Two Ministerial Meetings held in Kuala Lumpur (1980) and Istanbul (1981) and three Expert Group meetings convened on that topic had produced three model bilateral agreements on the promotion and protection of investment and a Legal Guide for Industrial Joint Ventures in the Afro-Asian Region. Both projects aimed at encouraging investment in the form of capital, technology and know-how in the Afro-Asian region. In the same context, AALCC was now preparing a guide on legal aspects of privatization of public sector undertakings, in the light of recent thinking that the State should desist from direct involvement in most economic activities.

40. Another important initiative of AALCC in the economic field was its Integrated Scheme for the Settlement of Disputes in Economic and Commercial Matters, adopted in 1978 with a view to creating stability and confidence in economic transactions within the Afro-Asian region. It envisaged a network of Regional Centres for Arbitration on a non-profit basis in different parts of Asia and Africa as a viable alternative to the traditional arbitral institutions of the West. The AALCC Regional Arbitration Centres in Cairo and Kuala Lumpur were now fully operational and were hearing international cases. In October 1992, the Cairo Centre had established a branch office in Alexandria to handle maritime cases. Those Regional Centres might be said to have met the concern voiced at the Third General Conference of UNIDO about the lack of arbitral institutions and facilities in the developing countries competent to handle disputes arising from international industrial contracts.

41. AALCC had also formulated two standard contract forms (one based on FOB and the other on FAS terms) for international sales transactions in commodities normally exported from the Afro-Asian region (agricultural produce and minerals), with a view to replacing the standard terms and conditions of sale drawn up by the trading institutions in the West, which were suited to the needs of a colonial economy. Those terms and conditions penalized exporters in the developing countries and needed to be reviewed since primary commodities constituted the bulk of exports from Asia and Africa. AALCC had also developed another contract form based on CIF (maritime) terms applicable to international sales transactions for durable consumer goods and light machinery in view of the fact that the more developed among the developing countries had begun manufacturing and exporting such items.

42. Today's world was witnessing dramatic political and economic changes, with deregulation

and liberalization of national economies now the catchword in over a hundred countries around the globe. Since those developments were likely to entail substantial changes in national laws and regulations in the economic field, AALCC had recently set up a computerized Data Collection Unit as an integral part of its secretariat to serve as a storehouse of information on the economic laws and regulations of member States.

43. In conclusion, he expressed his fervent hope that the common endeavours of UNIDO and AALCC, as contemplated in their cooperation agreement, would advance their respective aims in the overall interest of the developing nations.

The meeting rose at 11.40 a.m.

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United Nations Industrial Development Organization

Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 8th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 6 November 1992, at 5 p.m.

President: Mr. BALAZS (Hungary)

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The meeting was called to order at 5.55 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.10/L.1-L.16, L.18-L.21)

1. The PRESIDENT said that agenda items 3-14 and 16-17 were still open for the adoption of decisions. He would now ask the Board to consider draft decisions on those items that had been the subject of discussion in informal consultations (IDB.10/L.1-16, L.18-21).

2. Mrs. MACHADO QUINTELLA (Brazil), speaking as chairman of the informal consultations established with a view to facilitating the drafting of decisions, informed the Board that consensus had been reached on 19 draft decisions. Items 10, 12 and 13 (a) had not been considered, since no draft texts had been produced. It had been agreed at the consultations to recommend to the Board that it should take note of the conclusions of the Programme and Budget Committee relevant to items 4 (b), 4 (c), 4 (e) and 4 (f), for which no draft decisions had been submitted.

3. After the drafting group had completed its work, some delegations had sought to introduce minor changes, such as revised phrasing, transposition of paragraphs or alterations to titles. Although such amendments might have improved the wording of the texts, they could not be accepted.

PROGRESS REPORT FOR 1992 ON SPECIFIC UNIDO ACTIVITIES (continued) (IDB.10/18 and Add.1; IDB.10/L.1, L.3)

4. The PRESIDENT drew the Board's attention to the draft decision related to the UNIDO energy programme (IDB.10/L.1).

5. Mrs. MACHADO QUINTELLA (Brazil) said that the title of the text of the draft decision discussed by the informal consulting group had simply been "Energy", not "UNIDO energy programme", and that consensus had been reached on the basis of the shorter title.

6. Mr. ARCILLA (Observer for the Philippines) proposed that, to make the wording consistent with the Director-General's mandate, the phrase "the strengthening of" should be inserted after "To promote" in paragraph (b) (iii).

7. Mr. HELLER (Mexico) asked whether observers could propose amendments to draft decisions.

8. The PRESIDENT said that observers should normally make their proposals through members of the Board, but that since no objections had been raised, the decision could be adopted in its amended form.

9. The draft decision (IDB.10/L.1), as amended, was adopted.

10. The PRESIDENT drew the Board's attention to the draft decision on human resource development (IDB.10/L.3).

11. The draft decision was adopted.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (continued) (IDB.10/14)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991 (continued) (IDB.9/10 and Corr.1 and 2; IDB.10/3, 4, 11 and Add.1, IDB.10/25; IDB.10/L.15)

12. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.15.

13. The draft decision was adopted.

(b) USE OF UNUTILIZED BALANCES OF APPROPRIATIONS (continued)

14. The PRESIDENT said that the chairman of the informal consultations had suggested that the Board should take note of conclusion 92/3 of the Programme and Budget Committee. He therefore proposed that the Board should take note that, in compliance with the request in General Conference decision GC.4/Dec.15, the External Auditor had submitted his opinion to the Programme and Budget Committee on the allocation of any retained unutilized balances of the regular budget

appropriations of UNIDO to those regional programmes that had been affected and that the Programme and Budget Committee in its conclusion 92/3 had taken note of that report with appreciation.

15. It was so decided.

(c) IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989 (continued) (IDB.10/6/Rev.1, IDB.10/26)

16. The PRESIDENT said that the drafting group had proposed that the Board should take note of conclusion 92/4 of the Programme and Budget Committee on the subject.

17. It was so decided.

(d) FINANCIAL SITUATION OF UNIDO (continued) (IDB.10/9, 27; IDB.10/L.9, L.18)

18. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.9 on losses related to small catering items.

19. Draft decision IDB.10/L.9 was adopted.

20. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.18 on the financial situation.

21. Viscount VILAIN (Belgium) proposed that, in order to reflect the outcome of the drafting group's discussions, in paragraph (h) the phrase "to minimize the administrative and support expenses" should be replaced by "to minimize administrative expenses, in particular with regard to recruitment and the extension of contracts at the D level, and support expenses".

22. Ms. OK (Turkey) said that the amendment was unacceptable to her delegation.

23. Mr. MACHIN (United Kingdom) said that the text of the draft decision, as submitted, had been arrived at after many hours of discussion and represented the best possible consensus.

24. Mr. PUTHO (Thailand), speaking on behalf of the Asian Group, said that the proposal of the representative of Belgium was unacceptable.

25. Mr. EZZAT (Egypt) said that his delegation wished to express its reservations on the proposal.

26. Viscount VILAIN (Belgium) withdrew his amendment on the understanding his delegation's reservations on the draft decision would be recorded.

27. Draft decision IDB.10/L.18 was adopted.

28. Mr. GOMEZ MENDEZ (Colombia), speaking on behalf of the Latin American and Caribbean Group, said that the countries in question, which had joined in the consensus on draft decision IDB.10/L.18, wished to express their continuous support for the intensive efforts made by the staff of the Organization in the performance of their duties and for the exercise of their legitimate rights. The Latin American and Caribbean Group would have preferred the inclusion of a reference to the need for any commitments concerning D-level staff to be deferred until the arrival of a new Director-General, in view of the possibility of changes in the organizational structure of UNIDO and the need to maintain an equitable geographical distribution in senior posts.

29. Mr. TAIANA (Argentina) said that on 29 October 1992 his Government had transferred the sum of $734,712 to UNIDO in payment of its outstanding assessed contributions and was anxious to settle the balance of its arrears as quickly as possible. The situation regarding the national accounts of Argentina had improved appreciably as a direct result of the Government's economic recovery plan and the reduction in its fiscal deficit. The Government had that day signed a technical assistance agreement with UNIDO with a view to strengthening the international investment promotion programme in Argentina. The agreement would make it possible to initiate immediately a second phase of the investment promotion programme in Argentina, under which a national contribution of $350,000 had been scheduled. His Government wished to reaffirm its confidence in UNIDO's future and the competence of its staff. Industrial development had high priority in Argentina's economic recovery programme. The new political and economic situation brought renewed hope for multilateral cooperation, in which there would be a special place for UNIDO, which needed to restructure and prepare itself in order to achieve what the developing countries, particularly the least developed ones, expected of it.

(e) APPLICATION OF THE SPLIT-CURRENCY SYSTEM OF ASSESSMENT (continued) (PBC.8/11)

30. The PRESIDENT proposed that the Board, recalling General Conference resolution GC.4/Res.27, paragraph 8, should take note of conclusion 92/7 of the Programme and Budget Committee on the appropriateness of the second sentence of financial regulation 5.1 (d) concerning the split-currency system of assessment.

31. It was so decided.

(f) OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES (continued) (IDB.10/7, 8)

32. The PRESIDENT suggested that the Board, recalling General Conference resolution GC.4/Res.28, should take note of conclusion 92/8 of the Programme and Budget Committee concerning the application of financial rule 106.21.

33. It was so decided.

(g) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET (continued) (IDB.10/10)

34. The PRESIDENT noted that no action by the Board was called for under item 4 (g).

(h) MEDIUM-TERM PLAN, 1994-1999 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1994-1995 (continued) (IDB.10/5 and Add.1, IDB.10/29; IDB.10/L.8, L.21)

35. The PRESIDENT drew the Board's attention to two draft decisions on item 4 (h): draft decision IDB.10/L.8 on the medium-term plan 1994-1999 and the ceiling for the first biennium, and draft decision IDB.10/L.21 on the relative priorities within the medium-term plan activities.

36. Draft decision IDB.10/L.8 was adopted.

37. Draft decision IDB.10/L.21 was adopted.

(i) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (continued) (ID9.9/10, chap. VIII, paras. 14-20 and appendix G; IDB.10/2; IDB.10/L.11)

38. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.11 on the Industrial Development Fund.

39. The draft decision was adopted.

(j) ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.10/30)

40. The PRESIDENT noted that no action by the Board was called for under item 4 (j).

(k) FINANCIAL REGULATION 4.1, PARAGRAPHS (d) AND (e) (continued) (IDB.10/L.16)

41. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.16.

42. The draft decision was adopted.

(l) UNIDO COUNTRY DIRECTOR PROGRAMME (continued) (IDB.10/34; IDB.10/L.6)

43. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.6.

44. The draft decision was adopted.

SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES (continued) (IDB.10/12-GC.5/5; IDB.10/L.7)

45. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.7.

46. The draft decision was adopted.

UNIDO ENVIRONMENT PROGRAMME (continued) (IDB.10/17, 32; IDB.10/L.20)

47. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.20.

48. The draft decision was adopted.

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS (continued) (IDB.10/8, 10, 15; IDB.10/L.5)

49. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.5.

50. The draft decision was adopted.

MOBILIZATION OF FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT (continued) (IDB.10/20-GC.5/6; IDB.10/L.2)

51. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.2.

52. The draft decision was adopted.

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (continued) (IDB.10/20-GC.5/6; IDB.10/L.10)

53. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.10.

54. The draft decision was adopted.

55. Mrs. BECKER (United States of America) said that her Government was unable to associate itself with the draft decision since it did not fully reflect developments during the past year in the external debt situation. Debt problems should not be viewed in isolation and debt relief alone was not a solution. Although substantial resources were being provided by official donors on both a bilateral and a multilateral basis, the necessity of attracting private flows had become increasingly important. Debtor countries needed to initiate market-opening measures to stimulate private investment and to encourage the return of flight capital. Development of alternative sources of non-debt capital flows was essential for the funding of new growth.

56. Dramatic progress had been made under the voluntary market-based international debt strategy. Twelve countries had now concluded debt-reduction or refinancing agreements with their commercial banks and, upon completion of the Argentine and Brazilian agreements, the strategy was expected to have produced over $50 billion in effective debt reduction and lifted much of the remaining debt burden through market-based collateralization. The aggregate debt service ratio for all developing countries had fallen from 22 per cent in 1986 to 14 per cent in 1991.

57. The international capital markets had responded to the economic reforms and improved debt situation, secondary market trading having grown from $10 billion in 1987 to over $150 billion in 1992. The turn-round had been particularly apparent in the Latin American countries, which were increasingly entering the capital markets for new financing, including portfolio and investment capital, capital repatriation and new borrowings. Latin America had received some $40 billion in new private capital flows in 1991, compared with only $4 billion in 1989. The region had achieved 3 per cent growth in 1991, and its inflation had been reduced by two-thirds, while official reserves had doubled.

58. The international community had strongly supported the operations of the International Development Association's debt reduction facility, which was helping to reduce the commercial bank debt burdens of the poorest countries undertaking economic reforms. In December 1991, creditors had agreed in the Paris Club on the "Enhanced Toronto Terms", which included options providing for 50 per cent debt service reduction on payments falling due during the rescheduling period; to date, eight countries had benefited from those new terms. Official creditors had also agreed to consider a stock-of-debt approach, after a period of three or four years, for the poorest countries undertaking economic reforms. The Munich Summit had encouraged the Paris Club to recognize the special situation of some highly indebted lower middle-income countries on a case-by-case basis.

59. A number of creditor Governments had undertaken significant bilateral debt reduction programmes. Since 1990, her country had waived almost $2.7 billion in food-aid and development-assistance debt for 25 of the poorest developing countries in Africa, Asia, Latin America and the Caribbean. It had also undertaken debt reduction under the Enterprise for the Americas Initiative (EAI), a comprehensive programme for the hemisphere focusing on trade, investment, debt relief and the environment, under which food-aid

debt had been reduced by $263 million for three countries which met the economic reform criteria, and several additional countries were expected to qualify for such debt reduction in the ensuing months. The substantial debt and debt-service reduction undertaken was only one element in efforts to support the economic growth of the developing countries. Economic reforms and continued assistance from official bilateral and multilateral sources were also crucial.

EVALUATION OF THE OBJECTIVES AND FUNCTIONS OF UNIDO IN VIEW OF RECENT CHANGES AND DEVELOPMENTS IN THE WORLD (continued) (IDB.10/21)

60. The PRESIDENT announced that, in the absence of any draft decision, the item could be considered concluded.

HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA (continued) (IDB.10/23)

61. The PRESIDENT suggested that the Board should take note of the documentation and information provided by the Secretariat.

62. It was so decided.

ADMINISTRATIVE MATTERS (continued) (IDB.10/33, 36; IDB.10/CRP.1; IDB.10/L.12)

(a) JOINT INSPECTION UNIT (continued) (IDB.10/22)

(b) INTERNATIONAL CIVIL SERVICE COMMISSION (continued) (IDB.10/28; IDB.10/CRP.2; IDB.10/L.13)

63. The PRESIDENT said that no draft decision had been proposed under item 13 (a). He suggested that the Board should take note of the information provided by the Secretariat in document IDB.10/22.

64. It was so decided.

65. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.13 on item 13 (b).

66. The draft decision was adopted.

67. The PRESIDENT said that he wished to submit another draft decision (IDB.10/L.12), entitled "Composition of the UNIDO Staff Pension Committee". The text did not contain the name of the alternate member to be appointed, as nominations had not been received at the time the draft had been prepared. He was informed that Mr. A. Aziria (Algeria) had been nominated as alternate member. He asked whether there was any objection to the adoption of the draft decision revised to include the name of Mr. A. Aziria (Algeria).

68. Draft decision IDB.10/L.12, as revised, was adopted.

ACTIONS TO BE TAKEN BY THE INDUSTRIAL DEVELOPMENT BOARD FOLLOWING THE RESIGNATION OF THE DIRECTOR-GENERAL (continued) (IDB.10/L.4)

69. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.4. He suggested that the words "effective 28 February 1993" should be added after the word "Organization" in the third line of paragraph (a).

70. He wished to thank the Government of the Philippines and the Director-General for their understanding in agreeing that the Director-General's term of office should continue a further month in order to make possible the procedure proposed in the draft decision.

71. The draft decision, as revised by the President, was adopted.

72. Mr. PUTHO (Thailand) said that, in connection with the decision just taken, he wished to make a statement explaining Thailand's position regarding the item, which involved a matter of principle. Thailand could not accept amendments to the rules of procedure of the Board which conflicted with the Constitution of UNIDO. According to Article 9, paragraph 4 (f), of the Constitution, it was a function of the Board to appoint an Acting Director-General if the office of Director-General became vacant between sessions of the Conference. As was recognized in rule 1 of the rules of procedure of the Board, no provision of the rules could override the Constitution. Nor could Thailand accept the interpretation that Article 9, paragraph 4 (f), was not applicable merely because at the present time the Director-General was still in office, or that there was no vacancy at present. Whenever the office of Director-General became vacant for reasons other than completion of a term of office, an Acting Director-General must be appointed on a temporary basis until the new Director-General was appointed. That being the case, it would be appropriate to appoint the Acting Director-General from among the the Director-General's deputies.

73. The Constitution was a major legal instrument and its provisions must not be violated. Disputes among Members concerning the interpretation of the Constitution should also be avoided. Thailand therefore considered it necessary for the Legal Service of UNIDO to be strengthened so that firm advice, particularly about the legal interpretation and application of the Constitution, could be given in accordance with the general principles of the law, in a just, clear and prompt manner.

74. His delegation could go along with the decision just taken because it was not in conflict with Thailand's position. The principle of the law as reflected in the Constitution remained valid, and no amendment aimed at avoiding the application of the Constitution was involved.

75. Mr. SZABO (Hungary) said that his Government would be very happy if each candidate, along with the nomination, were to present in written form to the President of the Board his or her vision and plan concerning the overall restructuring of the Organization.

PREPARATORY ARRANGEMENTS FOR THE FIFTH SESSION OF THE GENERAL CONFERENCE (continued) (IDB.10/31; IDB.10/L.14)

76. The PRESIDENT suggested that, as a consequence of the decision just taken, item 16, entitled "Appointment of the Director-General", should be deleted from the provisional agenda of the fifth session of the General Conference in draft decision IDB.10/L.14, since the Director-General was now to be appointed at a special session of the Conference on 30 March 1993.

77. Draft decision IDB.10/L.14, as revised by the President, was adopted.

78. The PRESIDENT suggested that the Board should take note of the Director-General's report

(IDB.10/31) on the signing of the agreement between UNIDO and the Government of Cameroon concerning the venue of the fifth session of the General Conference.

79. It was so decided.

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued) (IDB.10/24; IDB.10/L.22)

80. Mr. MACHIN (United Kingdom), speaking on behalf of the European Community and its member States, said he would like to submit a draft decision on the item (IDB.10/L.22) which replaced two earlier proposals by member States of the Community that had both been withdrawn. The new text agreed upon by the Community member States had just been circulated.

81. Mr. TREMEAU (France) said that one of the two proposals that had been withdrawn had been from his delegation. The new text took into account France's concerns and should make possible a consensus decision which would allow UNIDO to concentrate on its essential tasks. His delegation was happy to support it.

82. In reply to a question from Mr. LEE (Republic of Korea), the PRESIDENT said that there was an error in the sub-heading of draft decision IDB.10/L.22, which should read "Draft decision submitted by the United Kingdom on behalf of the European Community".

83. Mr. AKOPOV (Russian Federation) drew attention to rule 43 of the Board's rules of procedure which provided that, as a general rule, proposals should not be put to the vote until the day after they had been circulated to delegations in the languages of the Board. Under the last sentence of rule 43, the waiving of this requirement would require a decision by the Board.

84. The PRESIDENT noted that the draft decision represented an amalgamation of two earlier drafts from the delegations of France and the United Kingdom. The Board could, of course, vote on the procedure to be followed.

85. Mr. AKOPOV (Russian Federation) said that he did not know when the previous drafts referred to had been submitted. The subject had not been discussed in informal consultations, and his delegation had only just seen the present draft, and then in English only. The decision might have very serious implications for the Organization and deserved detailed discussion. He therefore suggested that the matter should be postponed and no decision taken at the present session.

86. Mr. VETTOVAGLIA (Switzerland) did not think that the draft could be considered to have been submitted the previous day. The best solution would be for the Board to take a decision on the procedure under rule 43.

87. Mr. RIOBO (Chile) agreed with the view expressed by the President. The amalgamation of the drafts had facilitated the work of the Board.

88. The PRESIDENT asked whether the Board could agree to a proposal to consider draft decision IDB.10/L.22, in accordance with the procedure provided for in the last sentence of rule 43.

89. The proposal was adopted by a large majority.

The meeting was suspended at 7.15 p.m. and resumed at 7.45 p.m.

90. The PRESIDENT said it now appeared that the draft decisions from France and the United Kingdom that had preceded the European Community draft decision (IDB.10/L.22) had not in fact been circulated in all the languages of the Board.

91. Mr. PUTHO (Thailand), speaking on behalf of the Asian Group, noted that his Group had submitted a draft decision to the President earlier in the day and had been informed that the deadline for the submission of proposals had passed. The President had also indicated that he hoped to be able to submit a consensus draft, taking into account the various proposals. However, a draft proposal had now been submitted by a group of countries at short notice, and the meeting had apparently been delayed to allow circulation of that proposal. It therefore seemed that the rules of procedure had been applied selectively. The Asian Group considered that adequate time should be given for delegations to examine other proposals on the same subject before a decision was reached. The Group requested that its proposal should be circulated immediately. It also proposed that detailed consideration of the matter should be postponed until the next regular session of the Board.

92. The PRESIDENT said that he had hoped to be able to submit a consensus draft to the Board. There had been practical difficulties in convening the consultations that would have been necessary to enable him to arrive at a proposal which could be adopted by consensus. The Asian proposal should indeed be circulated under rule 43, as the European Community's draft had been.

93. Mr. EL-HUSSEIN (Sudan) said that the understanding had been that the President would try to formulate a consensus proposal. The African Group had refrained from submitting a proposal of its own in order to avoid making the President's task more difficult. The new proposal by the European Community ought not really to have been admitted, but the Board had nevertheless decided in favour of considering it under rule 43. In the circumstances, the proposal by the Asian Group should be given equal treatment.

94. In view of the time factor, he supported the proposal that detailed consideration of the subject under discussion should be postponed until a later session.

95. The PRESIDENT said that he had now authorized the circulation of the Asian Group's proposal. The next question for the Board to decide was whether it wished to consider the various proposals.

96. Mr. SAMMAK (Syrian Arab Republic), supported by Mr. DJATMIKO (Indonesia) and Mr. MAJID (Iraq), said that since there was not enough time left for regional groups other than the States members of the European Community to formulate proposals on the item, it would be advisable to defer further discussion until the new Director-General had been appointed.

97. Viscount VILAIN (Belgium) pointed out that a year previously the Board had come close to reaching a decision on the matter. It had failed to do so merely because some delegations had asked for more time and had requested the Director-General to submit fresh proposals for consideration at the

present session. It could hardly be claimed that the Board now lacked sufficient information; to defer the decision once again would be an admission of weakness. However, since a motion had been introduced to adjourn the debate on item 11, it should be pointed out that, under rule 39 of the rules of procedure, permission to speak on the motion should be granted to two representatives in favour and to two opposing the adjournment, after which the motion should be put to the vote immediately.

98. Mr. VETTOVAGLIA (Switzerland) proposed that the meeting should be suspended for 20 minutes to allow consultation within and among the regional groups.

99. Mr. TREMEAU (France) warned that deferring discussion of item 11 until the next regular session of the Board might lead to its being put off indefinitely. Although the European Community's draft decision had been submitted late and was not perfect in every detail, it could none the less serve as a useful basis for discussion.

100. Mrs. MACHADO QUINTELLA (Brazil) said that suspending the meeting should not be seen as an alternative to adjourning the discussion, since a large number of countries were not willing to deal with the issues raised by item 11 at the present juncture. She urged the Board to proceed with its vote on the proposed adjournment in accordance with rule 39 of the rules of procedure.

101. Mr. HELLER (Mexico) considered that the Board should vote on the Asian Group's draft decision, which dealt with substantive issues as well as technicalities. His own Group already had a position on the matter and had no need for further consultations.

102. Mr. NFANA (Cameroon) drew the Board's attention to rule 42 of the rules of procedure, whereby a motion to suspend a meeting had priority over a motion to adjourn the debate on a question under discussion.

103. The PRESIDENT put to the vote the Swiss motion to suspend the meeting for 20 minutes.

104. The motion was rejected by 29 votes to 20.

105. At the request of the representative of Belgium, a vote was taken by roll-call on the proposal by Thailand to adjourn the debate on agenda item 11 until the eleventh regular session of the IDB.

106. Cuba, having been drawn by lot by the President, was called upon to vote first.

In favour: Cuba, Egypt, Ethiopia, Guinea, Hungary, India, Indonesia, Islamic Republic of Iran, Iraq, Kuwait, Mexico, Morocco, Nigeria, Pakistan, Peru, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Senegal, Sudan, Syrian Arab Republic, Thailand, Tunisia, Uganda, Venezuela, Zimbabwe, Belarus, Bolivia, Brazil, Cameroon, Chile, China.

Against: Czechoslovakia, Finland, France, Germany, Greece, Italy, Japan, Netherlands, Norway, Spain, Switzerland, Turkey, United Kingdom, United States of America, Austria, Belgium.

Abstaining: None.

107. The proposal was adopted by 33 votes to 16.

108. Mr. TREMEAU (France), speaking in explanation of vote, regretted the adjournment of the discussion but was none the less satisfied that democratic process had been observed and hoped that the Board would be able to work in a more constructive spirit when it resumed its consideration of the matter.

109. Mr. AKOPOV (Russian Federation) expressed his delegation's desire to make a constructive contribution to the debate on the organizational and staff structure of UNIDO, which was a matter of supreme importance for the future of UNIDO.

110. Mr. MACHIN (United Kingdom) regretted the fact that, by voting to adjourn the debate, Member States had obliged UNIDO to take a step backwards at a time when it was important for United Nations agencies to move forward.

111. Mrs. BECKER (United States of America) thought it unfortunate that the Board had not proved equal to the task of giving the Director-General the necessary flexibility to restructure the Organization and improve its ability to serve its Member States.

112. Mr. LEE (Republic of Korea), supported by Mr. PUTHO (Thailand), said that consultations had begun too late in the session to permit serious consideration of the issues at hand. It was to be hoped that when the discussion was resumed, the draft decision submitted by the Asian Group would be duly considered.

113. Mr. RIOBO (Chile) said that several delegations, including his own, were in sympathy with the general spirit of the French draft decision, unlike the one submitted on behalf of the European Community. By asking for too much, the latter had achieved nothing. Restructuring the Organization could only be accomplished on the basis of a broad and solid consensus.

114. Mr. EL-HUSSEIN (Sudan) stressed the importance of working in a spirit of consensus when drafting decisions.

115. Mr. SARBU (Romania) said that the importance of the matter warranted discussion at greater length at the next regular session of the Board.

116. Mr. VETTOVAGLIA (Switzerland) attributed the Board's inability to reach a formal consensus on a matter on which there was, in fact, broad agreement to an excessive concern with procedure. As soon as the present session was over, a group of like-minded countries should start drafting a proposal for the next regular session of the Board.

PROVISIONAL AGENDA FOR THE ELEVENTH SESSION (IDB.10/L.19)

117. The PRESIDENT drew the Board's attention to draft decision IDB.10/L.19. It was proposed that the eleventh session would be held from 28 June to 2 July 1993. As far as the provisional agenda was concerned, he was submitting to the Board for consideration the items listed in document IDB.10/L.19.

118. The draft decision was adopted.

ADOPTION OF THE REPORT OF THE TENTH SESSION (IDB.10/L.17)

119. Mr. DAMANPAK JAMI (Islamic Republic of Iran), Rapporteur, introducing the draft report of the

Board on its tenth session (IDB.10/L.17), said that it had been prepared in consultation with all the regional groups and adopted the same format as the reports of all the previous sessions of the Board since UNIDO had become a specialized agency. It would contain extensive references to the summary records of the session, which also formed an integral part of the report. Of necessity, it still contained many blanks, and he therefore proposed that the Board should adopt it on the understanding that he would finalize it after the suspension of the session in close consultation with his "Friends".

120. It was so decided.

SUSPENSION OF THE TENTH SESSION

121. Mr. WARNER (Deputy Director-General, Department of Administration), speaking on behalf of the Director-General, said that the clear decisions taken during the session boded well for the Organization's future. It was to be hoped that solutions would also soon be found to its financial and other problems, including the reform of its organizational and staff structure, a subject on which consensus had regrettably not been reached during the session. It was time to recognize that in terms of its financial situation, technical assistance delivery, cost of delivery and programme and project quality, UNIDO was one of the most efficient specialized agencies. If, however, it was to move on to greater heights, the key factor would be trust between Member States and between them and the Organization.

122. Turning to the subject of the Director-General's successor, he warned that the appointment of a new Director-General would not, in itself, solve all of UNIDO's problems. Further, real and lasting solutions could only be founded in a stronger, more vital relationship between the Member States and the Secretariat which carried out their will. It was up to the Member States and the Director-General to harness the vast resources of knowledge, talent and experience offered by the Organization in order to help bring about sustainable industrial development throughout the world. The appointment of a new Director-General would have to bring with it fundamental changes in the organizational and staff structure of UNIDO so that the hope and promise of a new era might be fulfilled.

123. The PRESIDENT reminded the Board that it had decided to resume the present session on 29 March 1993 for one day only and for the purpose of recommending to the General Conference a candidate for the post of Director-General.

124. Following the usual exchange of courtesies, he declared suspended the tenth session of the Board.

The meeting rose at 9 p.m.